

NOMINATIONS OF McCONE, KORTH, AND HARLAN

HEARING BEFORE THE COMMITTEE ON ARMED SERVICES UNITED STATES SENATE

EIGHTY-SEVENTH CONGRESS

SECOND SESSION

ON

**JOHN A. McCONE, OF CALIFORNIA, TO BE DIRECTOR OF
CENTRAL INTELLIGENCE**

FRED KORTH, OF TEXAS, TO BE SECRETARY OF THE NAVY

**NEIL E. HARLAN, OF MASSACHUSETTS, TO BE ASSISTANT
SECRETARY OF THE AIR FORCE**

JANUARY 18, 1962

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**NOMINATION OF FRED KORTH TO BE SECRETARY OF
THE NAVY**

THURSDAY, JANUARY 18, 1962

**U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, D.C.**

The committee met, pursuant to notice, at 10:30 a.m., in room 212, Senate Office Building.

Present: Senators Russell (chairman), Stennis, Symington, Jackson, Thurmond, Engle, Bartlett, Cannon, Saltonstall, Smith (Maine), Case (South Dakota), Bush, and Beall.

Also present: Harry L. Wingate, Jr., chief clerk; Herbert S. Atkinson, assistant chief clerk; William H. Darden, T. Edward Broswell, and Gordon A. Nease of the committee staff.

Chairman RUSSELL. Nominations to fill three very important civilian positions are pending before the committee. All three of the nominees have received recess appointments and have been installed in their respective offices and the hearing this morning was scheduled in anticipation that covering nominations would be sent to the Senate promptly after the session convened.

However, the nominations were not actually received in the Senate until January 15, and they have, therefore, not been pending here for the 7 days required by our Committee on Rules.

Since other meetings have been scheduled to follow this one, not only of the full committee, but of our subcommittees, and since it is apparent that one of the principal purposes of the 7-day rule—adequate notice—has been fulfilled, we are adhering to the original schedule, and the committee can decide in executive session about the time of reporting any nominations on which favorable action may be taken this morning.

Under ordinary circumstances, we would first receive the testimony from the nominee for the Office of Director of Central Intelligence. However, there is some indication that the other two nominations will require much less time, and to assure that we will consider all of them this morning, I have suggested to Mr. McCone, with his indulgence, that we depart from a strict adherence to that ordinary committee protocol and that we take the other nominees first.

I will therefore ask Mr. Fred Korth, of Texas, who has been nominated to be Secretary of the Navy, to take the chair there at the end of the table. Mr. Korth has had previous service in the Department of Defense.

I am sure most of the members of the committee will recall that he was Assistant General Counsel and later served as Assistant Secretary of the Army.

We are pleased to have you here this morning, Mr. Korth. We congratulate you on your nomination. You have been before us before, and, for the benefit of our members and for the records of this committee, we would like to have a brief statement of your background, a biographical sketch.

STATEMENT OF FRED KORTH, NOMINEE TO BE SECRETARY OF THE NAVY

Secretary KORTH. Thank you, Mr. Chairman.

I believe that the members of the committee have been handed a short biographical sketch, but I do want to express my appreciation to all of the members for this privilege of appearing before you at this time.

To give you a little more background on my career, I should like to say that I was born in Yorktown, Tex., a small city in south Texas, in 1909, and grew up in Texas on a ranch near San Antonio.

I attended public schools in San Antonio, graduated from the University of Texas in 1932 with a bachelor of arts degree and from George Washington University in 1935 with a law degree.

Prior to my graduation from law school, I met and married my wife, Vera Connell, and we have three children: Nina Maria, who has two daughters, her husband is an assistant U.S. attorney in the northern district of Texas; a son, Fritz, who is a freshman at the University of Texas Law School, having graduated from Princeton last June; and a younger daughter, Verita, who is in high school. She is presently in high school at Fort Worth, although at the change of terms this coming month she will travel to Washington to join Mrs. Korth and me.

I was admitted to the Texas and the District of Columbia bars in 1935. I engaged in the practice of law with the now dissolved firm of Thompson & Barwise from 1935 to 1941, when I entered the service of the U.S. Army Air Corps at that time, advancing to the grade of lieutenant colonel when I was separated in 1946.

I then practiced law again in Fort Worth from 1946 to 1951 in partnership with Fred Wallace, and in 1951 I came to Washington, I thought for a 2-week period, to help Frank Pace, the then Secretary of the Army, but that 2 weeks turned out to be 2 years, until the change of administration in January of 1953.

Subsequent to that, I became executive vice president and a director of the Continental National Bank in Fort Worth. I continued with that bank and became president of the bank in 1959. I have resigned as president and director of the bank effective January 2. Prior to my coming to Washington, I was a director of the Bell Aerospace Corp., the Professional & Business Men's Insurance Co., and the Texas & Pacific Railway Co.—all of which positions I have resigned.

I believe that the committee has likewise available to it a list of my stock holdings, and in that connection I should like to state that I have disposed of all stocks which might have even a remote defense implication.

I do retain stocks in several banks, in one small children's garment manufacturing company in Jamaica which does no business whatsoever with the Government or with the Defense Establishment, and, likewise, own certain real estate ranches. I have an interest in several in Texas, aggregating to a total of perhaps some 12,000 acres.

I have a very minor oil interest. The total income from the oil interest perhaps amounts to no more than \$500 per year. This was as a result of an investment which was not very wise, I might add, Mr. Chairman.

I believe that concludes my oral statement. I shall, of course, be pleased to answer any questions which may be asked me.

(The nomination reference and biographical statement follow:)

NOMINATION REFERENCE AND REPORT

IN EXECUTIVE SESSION,
SENATE OF THE UNITED STATES,
January 15, 1962.

Ordered, That the following nomination be referred to the Committee on Armed Services:

The following-named person, who was appointed during the last recess of the Senate, to the office indicated:

Fred Korth, of Texas, to be Secretary of the Navy, vice John B. Connally, Junior, resigned.

FRED KORTH

Born September 9, 1909, at Yorktown, Tex.

Family: Wife, Vera Connell Korth; three children, Nina Maria Cole, Fritz-Alan, and Vera Sansom (Verita) Korth.

Education: Public schools, San Antonio, Tex.; University of Texas, A.B., 1932; and George Washington University, LL.B., 1935.

Military service: Served in Air Transport Command of U.S. Army from 1942 to 1946, advancing to the rank of lieutenant colonel.

Previous Government service: Deputy Department counselor, Department of the Army, 1951-52; Assistant Secretary of the Army (Personnel and Reserve Forces), 1952-53.

Legal associations: American Bar Association, Texas Bar Association, and American Law Institute. Member of Texas and District of Columbia bars since 1935.

Business and professional experience: Private practice of law in firm of Thompson & Barwise, 1935-42 and in the firm of Korth & Wallace, Fort Worth, 1946-51; executive vice president and director, Continental National Bank, Fort Worth, 1953-59; president, Continental National Bank, 1959-January 1962; director, Bell Aerospace Corp., 1960-61; Director, Panama Canal Company; director, Professional and Business Men's Insurance Co., 1955-61; and, director, Texas & Pacific Railway Co., 1960-61.

Past organizations: Executive committee, Southwestern Exposition and Fat Stock Show; executive committee, Fort Worth Chamber of Commerce; American Bankers Association; and Texas Bankers Association.

Past civic activities: Chairman, Tarrant County Committee for 1960 White House Conference on Children and Youth; chairman, Red Cross, Tarrant County; past member national council of National Planning Association, Washington; member, investment advisory board of Teachers Retirement System of Texas; and member of board of directors, Texas United Fund, Inc.

Miscellaneous: Member of Navy League of the United States since 1952; trustee (inactive), Texas Christian University; and, treasurer (inactive), Texas & Southwestern Cattle Raisers Association.

Awards: Army Exceptional Civilian Award; Army Outstanding Civilian Service Award; Civic Achievement Award of B'nai B'rith; and honorary doctor of laws degree from George Washington University.

Chairman RUSSELL. Is your interest in oil property—which is a rather minor amount, but it involves the general purposes of this committee's inquiry—is that income derived from the sale of crude oil?

Secretary KORTH. Yes, sir; it is. It is a fractional interest in about three small wells in Louisiana in which I participated with a number of other people on the drilling of the well. But the oil, of course, is sold to a major company. I don't know which company purchases that.

Chairman RUSSELL. But it is not sold directly to the Government?

Secretary KORTH. No, sir.

Chairman RUSSELL. That is a very clear and comprehensive statement, Mr. Korth.

Senator Saltonstall?

Senator SALTONSTALL. I have just one question. It is not quite clear from your statement but perhaps you have said it. Have you resigned as president of the Continental Bank?

Secretary KORTH. I have, and as director also.

Senator SALTONSTALL. I have no further questions.

Chairman RUSSELL. Senator Stennis?

Senator STENNIS. Mr. Chairman, I do not think I have any further questions.

I have satisfied myself already as to Mr. Korth's outstanding ability, and his worth. His approach to this is very good, I think. I certainly think it is an important office and wish him well.

Secretary KORTH. Thank you, sir.

Chairman RUSSELL. Senator Smith?

Senator SMITH. Yes, Mr. Chairman. Mr. Secretary, have you given any thought to the length of time you would be willing to serve in the post as Secretary of the Navy in the event you are confirmed?

Secretary KORTH. I have really given no thought to this, Senator. I certainly intend to serve as long as the President desires that I serve, barring any unforeseen circumstances, and, likewise, as long as I think that I can be effective in my position.

Senator SMITH. You have no plan, then, to leave after 1 or 2 years?

Secretary KORTH. I have made no plans in that regard, Senator.

Senator SMITH. And do I correctly understand your answer to be that you would be willing to serve as long as you do so at the pleasure of the President and so long as you feel that you can make a substantial contribution to the Navy and the Defense Establishment?

Secretary KORTH. This is my present opinion, Senator.

Senator SMITH. Then do I further correctly understand your answer to be that you have no plans to leave after any specified period of time; that you have no plans to go back to any particular employment; that you have no obligations, no commitments whatsoever with respect to that; and that none have been made by you?

Secretary KORTH. I have made none—

Senator SMITH. Or to you?

Secretary KORTH. Other than this: I am hopeful, Senator, that when my Government service is finished, that I may go back to Fort Worth and might also become associated again with the bank which I was formerly associated with.

Senator SMITH. Thank you very much, sir.

You may be interested to know that my first two questions are verbatim exactly from questions put by the chairman of this committee to your predecessor on January 18, 1961, on page 7 of the hearings of that date.

That my third and fourth questions were based on the very answers given by your predecessor to those two questions asked of him by the chairman.

Mr. Chairman, I make these observations in fond and inspiring memory of the forthright and vigorous statements of the successful Democratic Presidential nominee in 1960, when he pledged that any and everyone joining his New Frontier team after inauguration would be expected to be enlisted for the full 4-year duration of his administration in derogating contrast to what happened in the administration he was criticizing.

It is to be regretted, Mr. Chairman, that Secretary Korth's predecessor did not stay for the duration and not even for a full year. I cannot in my own heart conclude that he left because he did not feel that he could no longer make a substantial contribution to the Navy and to the Defense Establishment, but it does appear that such tenures are cut short whenever specialized duty calls, whether it be a Republican administration or a Democratic administration.

Thank you.

Chairman RUSSELL. Senator Symington?

Senator SYMINGTON. Mr. Chairman, I have been here only a few minutes. I have been listening with great interest to the able Senior Senator from Maine, and I am glad to hear Mr. Korth.

Mr. Secretary, we have been friends for a good many years. As I understand it, you are going to see this job through, is that correct?

Secretary KORTH. I am going to do my best, sir.

Senator SYMINGTON. Subject to the approval of the President?

Secretary KORTH. Yes, sir.

Senator SYMINGTON. You have no plans to leave to run for anything.

Secretary KORTH. Absolutely not. I have no political ambitions for elective office, sir, at all.

Senator SYMINGTON. Mr. Chairman, all I have known about Mr. Korth is very fine, and it is always a privilege to see somebody of his caliber in the Government. I have no further comments or questions.

Chairman RUSSELL. I may say that I would have asked those questions substantially of Mr. Korth, as I had asked them of all the nominees before, except for the fact that Mr. Korth's record shows that he stayed here until he left at the request of an incoming President.

He did stay with the job to which he was appointed before and served out his term.

Senator Case?

Senator CASE. Thank you, Mr. Chairman. Mr. Korth, is this statement submitted on January 16, 1962, entitled "Stock Holdings and Real Estate Interests Owned and Positions Held by Mr. and Mrs. Fred Korth," a full disclosure of all stock or ownership interests that you may have or of positions occupied in any corporate or private business company?

Secretary KORTH. It is sir. I am not sure that within that statement it is clear that I have submitted by resignations from three organizations where they have not as yet been accepted: One, Texas Christian University, a university in Fort Worth; the other, the Hockady School for Girls, a girls' school in Dallas, Tex.; and the third, as treasurer of the Texas & Southwestern Cattle Raisers Association.

In each of those instances the organizations have not accepted my resignation. I, however, do not see that there would be any possible conflict of interest. There are no duties involved with these respective positions, and they are fully aware of the fact that I can make no contribution during the time that I am working with the Government.

I should perhaps add, to make the financial statement a little more complete—and I only thought of it now—that, certainly, Mrs. Korth and I do have ownership in U.S. Government bonds and savings bonds, which are not, however, of any great consequence, but I do not believe that they are actually contained on the statement.

Senator CASE. Are you familiar with what is known, or what has been given the name of the Berry wool amendment?

Secretary KORTH. The what, sir?

Senator CASE. The Berry wool amendment.

Secretary KORTH. I am not, sir.

Senator CASE. It is an amendment which Congressman Berry of South Dakota has repeatedly offered successfully to appropriation bills denying the use of funds for the purchase of foreign wools for garments for men in the armed services to which those appropriations apply.

Recently, and with considerable emphasis, journals of the stock growers and the cattle producers have been proposing that a similar amendment should be sought to require that beef fed, or red meat, I should say, fed to members of the Navy should be of domestic origin.

Would you find it embarrassing if legislation of that sort were produced in case the Texas & Southwestern Cattle Raisers Association did not accept your resignation?

Secretary KORTH. Sir, my primary and only loyalty is to the U.S. Government. I would not let a matter such as that in any wise disturb me in that allegiance and that loyalty. I am not familiar with the proposed legislation, but I might state this: That, as I understand it and I am new in the job—as I understand it, the Navy has no responsibility for the procurement of provisions such as this. This is a function which I believe is now performed by the Defense Supply Agency.

Senator CASE. Is that true on getting supplies for ships at sea?

Secretary KORTH. Yes, sir; I would think so, because we have refrigerator ships which supply those ships that are at sea, and they take off, certainly normally, except in emergency, from the United States where they have been located.

Senator CASE. Do not misunderstand. I happen to be in the cattle business myself.

Secretary KORTH. I understand.

Senator CASE. But I would not want a Secretary to feel that because of his affiliation with a cattle raisers' association, he had to lean over backward in order to show that he was not prejudiced in favor of interests. I would want him to be able to be objective about it.

Secretary KORTH. I propose to lean neither way, sir.
Senator CASE. Thank you.

Thank you, Mr. Chairman.

Chairman RUSSELL. Mr. Secretary, I do not want to embarrass you so I, therefore, will not ask you if you have any vital feelings on either side of the oleomargarine question.

Secretary KORTH. I am aware of that, Mr. Chairman.
Chairman RUSSELL. Senator Thurmond?

Senator THURMOND. Mr. Chairman, I have no questions. I think our Government is fortunate to secure the services of such an able and well-qualified man to be Secretary of the Navy.

I want to congratulate you on your appointment, and I wish you every success.

Secretary KORTH. Thank you, Senator.
Chairman RUSSELL. Senator Bush?

Senator BUSH. No questions, Mr. Chairman.

Chairman RUSSELL. Senator Bartlett?

Senator BARTLETT. Mr. Secretary, I have been wondering, in view of the fact that you were formerly an Assistant Secretary of the Army, whether the Army considers your present appointment as a step toward unification or desertion, but I will not ask you to answer that.

I want to say, Mr. Secretary, that I think the Government is most fortunate in having your services, and, in any case, I should have voted for the confirmation of your nomination. But I was all the more inclined to do so when you visited me the other day and told me that one objective of your administration would be to secure for the 17th Naval District in Alaska a boat bigger than a rowboat, which is about the biggest they now have.

Secretary KORTH. Yes, sir.
Senator BARTLETT. That is all, Mr. Chairman.

Chairman RUSSELL. Senator Cannon?

Senator CANNON. Thank you, Mr. Chairman.

Mr. Secretary, you do not anticipate that these organizations will not accept your resignation. It is just that they have not acted on them at the present time?

Secretary KORTH. I don't know, sir. I would think that, certainly, with reference to the educational institutions, they may perhaps prefer not to accept it.

With reference to the Cattle Raisers Association, as I indicated, it is more of an honorary position than an operating position. I attended the meetings, but, really, insofar as treasurer, and as is the case in many organizations, it is a title rather than anything else.

Senator CANNON. You would not want to imply as treasurer that the Texas & Southwestern Cattle Raisers Association had no funds, would you?

Secretary KORTH. They are solvent, sir.

Senator CANNON. Thank you. Mr. Secretary, I have no further questions.

Mr. Chairman, I think the Government is very fortunate to have a man of Mr. Korth's ability.

Chairman RUSSELL. Senator Beall?

Senator BEALL. Mr. Chairman, I am very proud to say that I was very much impressed with the Secretary's visit when he came to the office, but I neglected, Mr. Secretary, to ask you how you felt about sending repair work to private yards, Navy repair work.

Secretary KORTH. Senator, I really have not yet had the opportunity to review the facts with reference to this, and for me to give you an opinion at this time, I think, would be premature, sir.

Senator BEALL. Thank you, Mr. Chairman.

Chairman RUSSELL. Senator Jackson?

Senator JACKSON. Mr. Chairman, I have not anything to ask. Everything I know about Mr. Korth is very good. He has an excellent background, and I am sure he will do a fine job as Secretary of the Navy. I want to congratulate him.

Secretary KORTH. Thank you, sir.

Chairman RUSSELL. Senator Engle?

Senator ENGLE. I have no comment, Mr. Chairman.

It is a pleasure to see the Secretary. He has done an excellent job. I intend to support him, and I hope he will not forget that California is a great naval State. We have more ports than any State in the Nation, and we will look forward to seeing him out there.

Secretary KORTH. Thank you, sir.

Chairman RUSSELL. I have also heard it said on the floor of the Senate a number of times that they had more contracts than any other State.

Senator BEALL. I was going to make that observation, Mr. Chairman, that we in Maryland have some very fine shipyards.

Senator ENGLE. We are still hurting, Mr. Chairman.

Chairman RUSSELL. If there are no further questions—

Senator CASE. Mr. Chairman, might I just say to Mr. Korth with respect to this treasurership of the Cattle Raisers Association, and, as I say, I am in the cattle business, but I think that I should insist upon your resignation being accepted in that instance because I foresee that this type of legislation may readily come before the Department.

And, since it would affect the Navy, you might be called upon for a recommendation, and I think it would leave you in a less vulnerable position if you did insist on the acceptance of your resignation there.

Mr. Chairman, I shall make available to the prospective Secretary and to the chairman the clippings from some of the stockgrowers' papers which are referred to as a very serious matter, and it is not idle that I raise the point.

Chairman RUSSELL. I did not think it was. I did not know that the nominee had had an opportunity to inform himself of the subject.

A man coming into a position as complex as this would find it difficult to know everything about every facet of his job before having occupied the office, or for only a week or so.

Secretary KORTH. Mr. Chairman, I certainly have no objection to pursuing and going forward and insisting upon the acceptance of this resignation.

This presents no problem whatsoever to me, and I am happy to accept the Senator's suggestion.

Chairman RUSSELL. I only wish to say for the benefit of those who might be present here today that there is no rule of this committee that requires any nominee to resign any position as trustee of an

educational institution. If there is, I have never heard of it before. I do not know of any compulsion that you resign from trusteeship of two educational institutions.

Secretary KORTH. Mr. Chairman, I was actually directing my remarks to the Cattle Raisers Association, but I will be happy to do the rest.

Chairman RUSSELL. Anything further from any member of the committee?

If not, Mr. Korth, we thank you for your statement to the committee.

Secretary KORTH. Thank you, sir.

(On Monday, January 22, in executive session, the committee unanimously voted to report favorably to the Senate the nomination of Mr. Korth to be Secretary of the Navy.)

NOMINATION OF NEIL E. HARLAN TO BE ASSISTANT SECRETARY OF THE AIR FORCE

Chairman RUSSELL. The next nomination is that of Mr. Neil E. Harlan, of Massachusetts, to be an Assistant Secretary of the Air Force. Have a seat, Mr. Harlan.

I believe this is your first appearance before this committee. We welcome you here and we extend congratulations to you upon this important public service that has been placed in your hands.

We will be pleased to have you make a statement covering your experiences as to the nature of the duties you are expected to perform and some of the members of the committee may have questions for you.

You may proceed.

STATEMENT OF NEIL E. HARLAN, NOMINEE TO BE AN ASSISTANT SECRETARY OF THE AIR FORCE

Mr. HARLAN. Thank you, Mr. Chairman.

I have submitted previously, and I think you have before you, a statement of my background and experience, but I would like to summarize it for you very briefly.

I was born in Cross County, Ark., in 1921, and attended elementary and high school there in a community called Bay Village, which is near Cherry Valley, in the eastern part of the State.

I enrolled in the University of Arkansas in 1938, received a bachelor's degree in 1947. During the intervening period I spent 3½ years in the Army, most of which was spent with the 8th Armored Division in the European theater.

I was employed with Homer K. Jones & Co., a firm of certified public accountants in Memphis, Tenn., in 1947 and 1948, at which time I left to attend Harvard Business School. I received a master's degree from Harvard Business School in 1950, and came to New York, where I was employed as assistant educational director of the American Institute of Accountants. After being there shortly more than a year, I was asked to come on to the faculty of Harvard Business School and accepted that invitation.

During the first year of my service there, I spent most of my time as an employee of Harvard University with the Air Force on a study of financial control and organization.

I completed my doctor's degree at Harvard in 1956, also in business administration.

I have been at Harvard since 1951 and have held ranks of assistant professor, associate professor, and on January 1 of this year was appointed professor of business administration. While I have been at Harvard, I have taught and done research in the fields of management control and managerial economics. I have also conducted research in aircraft procurement in 1953 and 1954, either full or part time during those 2 years.

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During the years that I have been at Harvard Business School, I have also served as consultant on matters of financial planning, organization, and control to companies in a variety of industries which are listed in the sketch that I have given you.

I have submitted to you a statement of the rather meager investments I hold. I am informed that there is only one stock on the list that does Government business. That is the John Morrell & Co., which I hold through a small investment club, and I plan to dispose of that on January 31 of this year, unless the committee would like me to do it earlier.

On my consulting arrangements, they have all been suspended, and if I am confirmed by this committee, they will all be terminated immediately.

I have asked and received from Harvard University a leave of absence for 1 year. I have informed them that at the end of that year, if it is the pleasure of the President, I shall ask for another year's leave of absence. And that at the end of that year, if it is at the pleasure of the President, I shall resign from the university to stay here.

That concludes my statement.

(The nomination reference and biographical sketch follow:)

NOMINATION REFERENCE AND REPORT

IN EXECUTIVE SESSION,
SENATE OF THE UNITED STATES,
January 15, 1962.

Ordered, That the following nomination be referred to the Committee on Armed Services:

The following-named person, who was appointed during the last recess of the Senate, to the office indicated:

Neil E. Harlan, of Massachusetts, to be an Assistant Secretary of the Air Force, vice Lyle S. Garlock, resigned.

BIOGRAPHY OF NEIL E. HARLAN

Neil E. Harlan was born in Cherry Valley, Ark., on June 2, 1921. He attended public schools in Cherry Valley, Ark.; University of Edinburgh, Scotland (one quarter, 1946); received bachelor of science degree, University of Arkansas, 1947; master's degree in business administration, Harvard University, 1950; and doctor's degree in business administration from Harvard University, 1956.

In June 1943, Mr. Harlan entered the U.S. Army as a private; was commissioned 2d lieutenant in August 1944; served as company commander and platoon leader in 80th Tank Battalion, 8th Armored Division, through Ardennes, Rhine-land, and Central European campaigns; and received an honorable discharge in September 1946 with the rank of captain.

Mr. Harlan was employed by Homer K. Jones & Co., certified public accountants, Memphis, Tenn., in 1947-48; and the American Institute of Certified Public Accountants, New York City, in 1950-51. From 1951 to 1961, Mr. Harlan was employed by Harvard University Graduate School of Business Administration during which time he was engaged in the following activities: 1951-52, served as full-time consultant to the Air Force and participated in the design and installation of the appropriation and expense system. In 1952-54 engaged in research in airframe procurement—published "Management Control in Airframe Subcontracting." During 1954-58 was assistant professor and was teaching member of the Harvard Business School faculty; in 1958-61 was associate professor of business administration; from 1959-60 served as chairman of the operating board of the master's degree program; and on January 1, 1962, became professor of business administration. Mr. Harlan has also served as consultant to companies in aluminum, automotive, drug, insurance, petroleum, and textile industries and with various companies on operating and organizational problems. He is the coauthor of "Cases in Controllership," published in 1958; and "Cases in Account-

ing Policy," published in 1961; and "Managerial Economics" to be published in April 1962.

Mr. Harlan is a member of the American Institute of Certified Public Accountants and of the Controllers Institute of America.

In 1952 Mr. Harlan married Martha Almlov of Melrose, Mass. They have three children: Lindsey Beth; Neil E., Jr., and Sarah Ellis. The family resides at 82 Sears Road, Wayland, Mass.

Chairman RUSSELL. In other words, if the President decides you are to serve more than 1 year, you will resign your professorship?

Mr. HARLAN. Yes, sir; and I have so indicated to Harvard.

Chairman RUSSELL. Is Harvard getting along pretty well with the new professors they are getting?

Mr. HARLAN. I do not know if they will get along as well after I leave, but they probably will.

Chairman RUSSELL. I hope they all learn their way around the campus, anyhow.

Senator Saltonstall?

Senator SALTONSTALL. Mr. Chairman, the fact that Mr. Harlan graduated from Arkansas relieves the problem of Harvard in your mind does it not?

Chairman RUSSELL. I have no particular opinion as to Arkansas. I am hopeful that the oldest chartered university in the United States may get some minor positions filled from the University of Georgia.

Senator SALTONSTALL. Mr. Chairman, may I ask Mr. Harlan what duties do you expect to have in the Air Force?

Mr. HARLAN. My duties will be Assistant Secretary for Financial Management. The primary function of that is to provide information with which the Air Force and the Department of Defense can make its request to the Congress for funds, and the other major part of that duty is to help to see that those funds are used as efficiently as possible.

My early assignment is to take a close look at the methods by which we manage the weapons system acquisition in the Air Force.

Senator SALTONSTALL. Then do I state it correctly that you are going to take Mr. Garlock's position so far as coming before the Appropriations Committees of the House or the Senate?

Mr. HARLAN. That is correct.

Senator SALTONSTALL. As the civilian in charge of the budget on problems of the Air Force?

Mr. HARLAN. That is correct, sir.

Senator SALTONSTALL. Then, in addition to that, you are going to try and stimulate better management and procurement and efficiency methods of procurement in the Department?

Mr. HARLAN. If I can make a contribution in that respect, I certainly intend to.

Senator SALTONSTALL. That will be part of your duties?

Mr. HARLAN. Yes.

Senator SALTONSTALL. So that your duties will be on a management basis and on a fiscal basis?

Mr. HARLAN. Yes, sir.

Senator SALTONSTALL. Thank you, Mr. Chairman.

Chairman RUSSELL. Senator Stennis?

Senator STENNIS. Mr. Harlan, will you have to do with the evaluation of bids?

Will you have anything directly to do with the awarding of major contracts?

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Mr. HARLAN. It is my understanding, sir, that the Assistant Secretary for Materiel takes the major role there. Certainly, if there are dollars attached at some point, I will have to have a hand in that, but, as far as the direct awarding of contracts is concerned, it is not my prime responsibility.

Senator STENNIS. It is not in your chain of command or responsibility, at least?

Mr. HARLAN. No, sir.

Senator STENNIS. But that is handled by Materiel?

Mr. HARLAN. Yes, sir.

Senator STENNIS. That is all, Mr. Chairman.

Chairman RUSSELL. Senator Smith?

Senator SMITH. Mr. Harlan, are you enlisted for the duration in the New Frontier?

Mr. HARLAN. I am here, I would say, for the duration of the New Frontier, for the duration of this current administration, if I feel that I can continue to be effective in the job.

Senator SMITH. Thank you, sir.

Chairman RUSSELL. Senator Symington?

Senator SYMINGTON. Mr. Chairman, all I have heard about Mr. Harlan is very good. He replaces Mr. Garlock, who, as we all know, is a most able man. He has certainly been well trained in his past activities.

His record apparently shows that he is an expert in the field of accounting and also that he is tied up to the question of figures and the question of management, and I think that the administration is fortunate to get him into this position. I look forward to voting for his confirmation.

I have no questions.

Chairman RUSSELL. Senator Jackson?

Senator JACKSON. Mr. Chairman, I merely want to make the observation that it is quite clear that Mr. Harlan is very well qualified. I do hope, assuming he gets along fine and that the President wants him to continue, that he will stay on.

One of the problems that we have in the national security field is the turnover in personnel. As you know, the Senate passed a resolution unanimously urging that there be longer continuity of service on the part of those who served in the top national security posts.

I believe this is the general attitude of the Senate, assuming that the work is satisfactory and so on.

Mr. HARLAN. I have every intention of staying, Senator Jackson.

Senator JACKSON. That is all, Mr. Chairman.

Chairman RUSSELL. Senator Case?

Senator CASE. Mr. Chairman, reading the biography of Mr. Harlan as it was submitted to the committee, it would seem to be evident that he has an unusually good background in business administration for a Secretaryship which carries with it responsibility in financial management.

I also note with interest his war record in World War II; that he has apparently a very commendable record of personal service which will give him an understanding of the problems and points of view of the men who are in front-line duty, so to speak.

I think those are full and excellent qualifications.

In concluding, I merely observe that it appears that we have an Arkansas traveler on the New Frontier.

Chairman RUSSELL. Senator Thurmond?

Senator THURMOND. I have no questions, Mr. Chairman.

Chairman RUSSELL. Senator Engle?

Senator ENGLE. I have no questions, Mr. Chairman, but I would like to observe that it is nice to have an Arkansas traveler who went to Harvard.

Chairman RUSSELL. Senator Bush?

Senator BUSH. No questions, Mr. Chairman.

Chairman RUSSELL. Senator Bartlett?

Senator BARTLETT. No questions.

Chairman RUSSELL. Senator Beall?

Senator BEALL. No questions.

Chairman RUSSELL. Senator Cannon?

Senator CANNON. No questions.

Chairman RUSSELL. Any further questions?

If not, we thank you very much, Mr. Secretary Harlan.

Mr. HARLAN. Thank you, Mr. Chairman.

(On Monday, January 22, in executive session, the committee unanimously voted to report favorably the nomination of Mr. Harlan to be an assistant Secretary of the Air Force.)

**NOMINATION OF JOHN A. McCONE TO BE DIRECTOR OF
CENTRAL INTELLIGENCE**

Chairman RUSSELL. The last nomination is that of Mr. John A. McCone, to be Director of Central Intelligence.

In this period through which we are passing, this office is perhaps second only to the Presidency in its importance.

I am sure that most of the members of the committee will remember Mr. McCone from his prior service with the Government as Under Secretary of the Air Force in 1950-51. He then served as Chairman of the Atomic Energy Commission, I believe, beginning in 1958.

Mr. McCone, your nomination is an indication that the President of the United States reposes special trust and confidence in your ability. We are glad to have you here this morning. We hope you will give us a statement on your views regarding this office and as to your background.

Before you begin that statement, though, Mr. McCone, Senator McCarthy will make his statement at this time.

**STATEMENT OF HON. EUGENE J. McCARTHY, U.S. SENATOR
FROM THE STATE OF MINNESOTA**

Senator McCARTHY. Mr. Chairman and members of the committee, as the chairman of your committee has indicated, this is, in my judgment, one of the most important confirmations which the Senate is called upon to make.

This committee is, of course, charged with the primary and initial responsibility of acting for the Senate in considering the fitness and the qualifications of a Presidential nominee for confirmation by the Senate as the Director of the Central Intelligence Agency.

The action of the Senate under its constitutionally defined responsibilities will, as the members of this committee know, depend primarily upon your recommendation. In my opinion, this appointment for confirmation ranks ahead of most Cabinet confirmations for a number of reasons: Because of the importance of the work of the Central Intelligence Agency, because of the relative freedom of action which is given to the head of the Central Intelligence Agency and to his subordinates, because of the lack under existing practice of any kind of continuing direction or effective review of Central Intelligence Agency activities by the Congress itself.

I have in the past supported and advocated establishment of a joint committee of the Congress to exercise some kind of continuing supervision over the activities of this agency, somewhat in the same manner that the Joint Committee on Atomic Energy operates. If such a committee or a comparable committee existed, the choice of the head of the CIA and the Senate confirmation would not be as critical or demanding.

There is at the present time no regular or normal procedure in existence or in use today by which committees of the Congress and

the Congress, itself, are consulted or regularly informed on Central Intelligence Agency activities.

During a discussion of a proposed Joint Committee on Central Intelligence on the floor of the Senate on April 9, 1956, Senator Mansfield asked:

How many times does CIA request a meeting with the particular subcommittees of the Appropriations Committee and the Armed Services Committee?

to which it does report somewhat irregularly.

Senator Saltonstall, a member of both committees, replied:

* * * at least twice a year that happens in the Armed Services Committee and at least once a year it happens in the Appropriations Committee. I speak from my knowledge during the last year or so * * *.

Intelligence activities raise special problems and need special attention. In an article in the New York Times magazine (May 21, 1961), Harry Howe Ransom wrote:

Whatever one's views, the existence of a secret bureaucracy poses special problems in the American system of government. Knowledge is power. Secret knowledge is secret power. A secret apparatus, claiming superior knowledge and operating outside the normal checkreins of American democracy, is a source of invisible government.

Charles Wilson, as Secretary of Defense, described this danger at a press conference in 1957 with these words:

You see, what I get for my purpose is an agreed-on intelligence estimate. * * * I have to take that, or I would have to bore through an enormous amount of detail myself to try to say that they were wrong or right. * * * I accept what they say. * * *

Hanson Baldwin, as military commentator for the New York Times, wrote in his column of January 15, 1956:

If war is too important to be left to the generals, it should be clear that intelligence is too important to be left to the unsupervised.

Walter Lippmann, looking at the same problem from a slightly different point of view, wrote soon after the recent change of personnel in the State Department that reform of the CIA should seem easier and more necessary. He said:

For the CIA should cease to be what it has been much too much, an original source of American foreign policy. That is what has gotten it into trouble, and that is what needs to be cured.

Mr. Allen Dulles once said: "In intelligence you have to take some things on faith." I acknowledge the truth of this, but also acknowledge and insist that faith is no excuse for lack of knowledge, for failure to seek out facts, nor is it to be accepted as a convenient excuse for avoiding responsibility.

If Walter Lippmann, Harry Ransom, Charles Wilson, and Hanson Baldwin are right, Congress must be concerned since it, along with the President, has responsibility for determining foreign policy.

Mr. Chairman, it is said by some that changes that have been made, or will be made, within the administration and within the organization of the CIA itself will so change the role of the head of the CIA that the office will be less significant than it has been in the past. There are some who say that all significant policy decisions relating to the CIA will be made in the White House; others say that the Pentagon will become more important. According to Chalmers M. Roberts, men

close to the President point out that "there will be so many checks and balances" on his operation "that there is no need to worry."

Mr. Chairman and members of the committee, I think that these are important statements and statements which this committee ought to run down to see what reorganizations are intended and what the effect of such reorganizations or changes and transfers of responsibility may be on the operation of the head of the Central Intelligence Agency.

On the other hand, it has been said that the role of CIA may be expanded and that the CIA will be operated even more secretly in the future than it has been in the past. If this is the case, the committee, it seems to me, should be doubly concerned because certainly the operations of the past have been quite secret.

In any case, as Director of CIA, Mr. McCone will take on great responsibilities and acquire great powers which, at least insofar as Congress is concerned, he can exercise with little or no supervision. Under the law, he can withhold "titles, salaries, or numbers of personnel employed by the Agency." He can approve the entry into the United States of certain aliens and of their families, subject to concurrence of the Attorney General and the Commissioner of Immigration and Naturalization. He will have authority to expend funds without "regard to the provisions of law and regulations relating to the expenditure of Government funds" on vouchers certified by him alone.

These are unusual powers, and powers which Congress traditionally has not yielded easily. But they are, I think, necessarily granted with reference to the operation of the Central Intelligence Agency.

A part of CIA's work is the preparation of the national intelligence estimates which are used as important guides in the formulation of foreign and defense policy. CIA is an evaluator as well as a collector of facts. This Agency should find and present the facts as they are and interpret them with full objectivity.

The Director of CIA is, under existing practice, Chairman of the U.S. Intelligence Board. The Director has changed the procedure and asks that the Deputy Director of CIA sit as a member of the Board while he presides. Other members of the USIB are General Carroll, representing the Defense Department; the intelligence components of the Army, Navy, and Air Force; representatives of the National Security Agency, the Atomic Energy Commission, the FBI, the Joint Chiefs of Staff, and the State Department.

The head of the CIA briefs the National Security Council at each of its meetings and is always asked to remain for the ensuing discussion. Although the head of CIA is not a member of the NSC, he does remain and participates in the discussions, as a matter of usual practice.

Theoretically, the President—with occasional help from consultants—controls this powerful, huge, and expensive Central Intelligence Agency. But the President is the nominal head of hundreds of agencies; he cannot be kept fully informed at all times of the activities of each of them. Consequently, very great powers are vested in the Director of Central Intelligence. How these powers have been used and how they are likely to be used are most important questions.

It asks whether the Central Intelligence Agency in the past has carried out activities without constitutional justification or without the authority of statute or of resolution or of treaty commitments. Whether these activities or operations turned out well or badly, whether they in the long run or in the short run advanced or improved the position of the United States, in a sense, is secondary to the basic question of legality or constitutionality of procedure.

The CIA is credited with having helped to oust Mossadegh from the premiership of Iran in 1953. History has not yet clearly demonstrated that this was the wisest policy. But it seems as though it was reasonably good. But the question of both legality and authority of the CIA in this action are open to question.

CIA takes credit for the overthrow of Dr. Arbenz as President of Guatemala in 1954. So far as one can judge, this appears to have been desirable, but, again, it is difficult to establish any justification in law or treaty or even tradition for this action. It is certainly impossible to establish that there was any concurrence on the part of the Congress in this action.

It was not sanctioned by the United Nations or by the Organization of American States, certainly not under the NATO; there was no congressional resolution, and it seems impossible to extend the Monroe Doctrine to cover this action.

The policy decision involved in 1960 in supporting General Phoumi Nosavan's move from Vientiane, helping him equip an army in the south to remove Souvanna Phouma from power rather than join the Cabinet as Vice Premier was, insofar as I know, without any sanction excepting that he, Phoumi Nosavan, had declared himself to be positively on our side and Souvanna Phouma was a declared neutral.

The U-2 flight raises some questions of prudence, but does not raise, in my judgment, questions of legal or constitutional justification as some of the other actions do.

In the case of the invasion of Cuba last year, the basic question of justification would remain even though the invasion had been a success.

Mr. Chairman, the Constitution quite clearly established that the Congress has a part in declaring war. The Senate particularly must be involved in the determination of the nature and aspects of foreign policy. War is seldom declared in the modern world. There are defensive actions and police actions. Nonetheless, the intention of the Constitution still runs to the end that the Congress has a part and responsibility in the decisions to enter upon actions to control or to overthrow the governments of other nations.

Congress has acted to give the President authority through the United Nations. It has granted him wide authority under the NATO treaty and somewhat less clearly under the SEATO treaty. The Congress approved the Middle East resolution in anticipation of the Lebanon action.

I believe that there is need for consultation with Congress by the President or his agent and beyond that of some form of expression of the will of Congress in major decisions relating to war, either hot or cold, when authority is not clearly provided for under existing law or treaty. A Joint Committee of the Congress on Intelligence may not be the best means, or the whole answer, but I know of none better that has been proposed. Consultation with some members selected

by the executive branch or consultation with members who are on committees somewhat related to the action or field of action does not, in my judgment, satisfy the constitutional test. Men chosen by the Congress itself as its representatives and spokesmen should participate in these decisions, as would be the case in a cabinet system of Government.

I do not expect a Joint Committee on Intelligence to be approved in the very immediate future, nor do I see the possibility of developing an alternative method for supervision of control by the Congress in the immediate future. The choice of the head of CIA is, therefore, of great importance.

The man selected to head the CIA should, I believe, fully understand and appreciate the great powers which are given to him and be aware that, at least in the past, either on its own decision or with executive approval, the CIA has carried on some activities which were of questionable constitutionality. He should realize, too, that in the future he may be called upon or challenged or tempted to conduct similar operations. The Director of CIA should be sensitive to the danger of such proceedings. I hope that this committee will make inquiry as to the awareness and the concern of the current nominee with reference to these basic considerations.

A man selected to be the head of CIA should, if possible, be experienced in intelligence work. He should be a good administrator. He should have an adequate understanding and awareness of the problems of foreign policy, of the difficulties and complexities. He should be concerned as to the ethics of the methods and means by which he, his agents, and operators seek their goals, either in the gathering of information or in carrying on what have come to be called Central Intelligence Agency operations. And, finally, he should be a man who is self-possessed, restrained, and detached.

What are the qualifications of the nominee with reference to these six general areas of qualifications?

I will not attempt a judgment or recommendation with regard to the question of experience in intelligence, as there are no clear standards that can be applied. On the record he has had experience with security methods as Chairman of the AEC and has been involved, or at least consulted, in the intelligence activities related to that Commission.

He has the reputation of being a good administrator. This is a reputation held by many who come into Government. The committee can form its own judgment on this point without comment or advice from me. I have noted, however, that the new Chairman of the AEC has announced some changes in policy and administration. I assume that these are minor changes.

The question of knowledge of foreign policy is one which can be passed upon only in very general terms.

Senator SYMINGTON. If the Senator will yield at that point—What is the pertinence as to whether the changes were major or minor?

Senator McCARTHY. The point I was making was that the new Chairman of the Atomic Energy Commission has issued a statement about administrative changes which he is bringing about for the purpose of greater efficiency in the administration of the agency.

It is really in the way of an aside because I have no criticism of the administration of the Atomic Energy Commission by Mr. McCone.

Senator SYMINGTON. Would the Senator from Minnesota yield for another question?

Senator McCARTHY. Yes, I would be glad to yield.

Senator SYMINGTON. Would the Senator from Minnesota object to any effort of the new Director of the Central Intelligence Agency to make those changes he thinks necessary to improve the efficiency of the Agency, regardless of the past?

Senator McCARTHY. No, I do not object.

Senator SYMINGTON. I thank the Senator.

Senator McCARTHY. The question of knowledge of foreign policy is one which can be passed upon only in very general terms and by very subjective standards. I would feel more confident in passing on this appointment if there was a more extensive record of the views of the nominee in the field of foreign policy. He is, according to one columnist, hard-boiled; of molten temper according to the London Economist; a tough man, according to Newsweek; harddriving, according to the Wall Street Journal.

These are not undesirable qualities in the head of any agency and not undesirable, I would say, in the head of the Central Intelligence Agency. They are not, I am sure, the only qualities, or the only good qualities possessed by the nominee being considered, but these have been emphasized.

These are the qualities that have been especially stressed in newspaper comment.

Taken by themselves, they are not enough to qualify a person for this difficult and sensitive office. I might observe that these are essentially the same characteristics attributed to Charles Wilson when he took over as Secretary of Defense some few years ago. I believe they were also attributed to his successor, Mr. McElroy. Assuming that both possessed those characteristics, and acknowledging that such characteristics might better qualify a man to be Secretary of Defense than to be head of the CIA, it must be acknowledged that neither of the two men has been marked by history, at least as of this time, as great and successful Secretaries of Defense.

There are two points in the public record of the nominee which, I think, bear significantly on the question of whether he should be confirmed or not confirmed.

The Director of the CIA should be more interested in finding evidence and passing objective judgment on it than in attempting to polarize opinions or supporting a set position. From the earliest days of the atomic program, as you, the members of this committee, know, there has been a great controversy on the question of weapons control. Much of it is unpublished and hidden from public view.

The controversy roughly has been divided into two positions: On the one side there were those who advocated a more intensive and a more extensive program, sometimes called the big bomb group and advocates of massive retaliation; and on the other side, the supporters of limited weapons, moratoriums, and controlled uses of atomic weapons.

Mr. McCone has been outspoken in his opposition to an unpoliced moratorium on nuclear weapons testing and has publicly issued strong warnings of the danger to the United States if we did not resume testing.

These are views which are defensible and here held by many. The question I raise is not related to the rightness or the wrongness of this point of view, but rather to the point of whether, as Chairman of the Atomic Energy Commission, Mr. McCone did attempt to influence opinion in support of his position and as to how he undertook to achieve this objective, if he did.

The antimoratorium group was restless and restive during the weapons moratorium. There was information in the press, supposedly gained through leaks from the Atomic Energy Commission, which, in the opinion of some, was harmful to our disarmament negotiations at Geneva.

During the last year of the moratorium, there were a number of printed reports, usually from undisclosed sources, which suggested, though they did not positively say, that the Soviets were conducting clandestine tests. It has been reported that President Eisenhower was so upset over these reports occurring during his administration that he ordered one or more investigations. I assume that if this is true, that the information gathered by the investigations and through them is available to the committee, and it could be used to determine whether there were leaks and what the sources of them were and what bearing they may have had upon policy positions or what bearing they may have upon the question before this committee.

The second incident, if it can be called such, bearing upon this question arose in the course of the 1956 campaign when the Democratic candidate for the Presidency raised the issue of a moratorium on nuclear testing. This proposition could quite properly be made a campaign issue, and it was. But because the proposal was of such great importance, anyone raising it as an issue or discussing it in a campaign had a special responsibility, I think, to present his own views most carefully, and an even greater responsibility not to distort the views of the others.

Eventually, 10 professors at the California Institute of Technology entered the controversy in support of a moratorium. They published a letter, signed it, and identified themselves as members of the faculty of the institute, although they stated quite clearly that they were not speaking for the institute. I submit for the record the names of these 10 professors, a number of whom have been active in the Oakridge plutonium and other atomic energy research during the war.

And I would like to submit for the record a copy of their statement, as well as a copy of a letter which Mr. McCone sent to them when this controversy arose.

(The documents referred to are as follows:)

STATEMENT OF 10 SCIENTISTS ON ATOMIC TESTING PUBLISHED IN LOS ANGELES TIMES, OCTOBER 15, 1956

For some time Gov. Adlai Stevenson has urged that the United States take the lead and renounce further H-bomb tests for as long a time as other nations likewise refrain from testing these devices. This suggestion has been attacked as advocating a dangerous unilateral action which would permit the Russians to get ahead of the United States in nuclear technology. In our opinion these criticisms have little validity and give inadequate attention to the reasoning that lies behind the proposal or to the urgency of dealing immediately and effectively with the peril that confronts the world as a result of the existence of the H-bomb.

Today we are caught in a nuclear armaments race that threatens to engulf the world. No end of this race is yet in sight. Two nations have already exploded hydrogen devices, a third will do so in a few months. Within a short time it is

likely that many countries large and small will possess this capability. With the commitment of more and more national arsenals to this type of warfare, international control becomes increasingly difficult. Even in our own country our Military Establishment is becoming more and more dependent upon nuclear weaponry and the time will soon be upon us when even a limited military action must inevitably drive us into nuclear war.

Time is running out, with an implacability that we ignore at our peril. Yet after 10 years of negotiation, the world has no other guarantee of survival than the tenuous hope that no nation will pull the trigger for fear of committing national suicide.

It appears to us that Mr. Stevenson's proposal might be a useful way to get the negotiations out of the deadlock stage by taking a step which would not endanger our security, which would in no way hinder other areas of nuclear research, which could not be delayed indefinitely by negotiations and which would have a very real significance to most nations throughout the world. At the very least the proposal is one that should be widely debated and discussed for the obvious reason that the control of nuclear weapons is vital to our survival.

Additional advantages of such a step would be:

(1) It would decrease our exposure to radioactive fallout and its associated dangers.

(2) It might postpone the time when there will be many nations which possess practical H-bomb experience.

(3) It would increase our prestige in Western Europe and in Asia.

(4) It would provide an important test of Soviet intentions. We must remember that on July 17 Soviet Foreign Minister Shepilov stated that the Russians would be willing to ban H-bomb tests if others agreed.

President Eisenhower has stated that he regrets that the American Government's policy with respect to the testing of large-scale nuclear weapons has been made an issue in this campaign. On the contrary we find it regrettable that discussions of our military strength, of our vulnerability, and of our foreign policy in relation to H-bombs have thus far represented such a small proportion of current political discussions. We must realize that time is running out—that our actions and inactions during the next 4 years may well determine whether our people, our Nation, our civilization live or die.

Our people must not be shielded by their Government from the grim realities that confront us. They must realize how destructive H-bomb explosions really can be. They must realize how easily these devices can be made by other nations. They must realize in full the dangers of radioactive fallout. They must appreciate our vulnerability to ordinary air attack with atomic bombs, let alone to the approaching intercontinental missiles. They must realize all of these things if these problems are to be solved in time.

We believe that the free and open discussion of proposals such as that which has been raised by Mr. Stevenson are essential if we are to extricate ourselves from the vicious circle in which we now find ourselves.

Signers: Dr. Thomas Lauritsen, professor of physics, California Institute of Technology; Dr. Matthew Sands, associate professor of physics, California Institute of Technology; Carl D. Anderson, professor of physics, Nobel Laureate in Physics 1934, member of the National Academy of Sciences; Harrison Brown, professor of geochemistry, member of the National Academy of Sciences, formerly assistant director of chemistry, plutonium project, Oak Ridge, Tenn.; Robert F. Christy, professor of theoretical physics, formerly physicist, Los Alamos, N. Mex.; Jesse W. M. DuMonde, professor of physics, member of the National Academy of Sciences, during war physicist with OSRD, Air Force, and Navy; Robert V. Langmuir, associate professor of electrical engineering, major field high energy accelerators, physicist with OSRD during war; Charles R. McKinney, senior research fellow in geochemistry, CTT, physicist at Oak Ridge during war, formerly chief engineer of 100 mev betatron at University of Chicago; John M. Teem, research fellow in physics; Robert L. Walker, associate professor of physics, formerly physicist, Los Alamos.

OCTOBER 15, 1956.

Dr. THOMAS LAURITSEN,
California Institute of Technology,
Pasadena, Calif.

DEAR DR. LAURITSEN: This morning I read with amazement your statement. It seemed to me the arguments you use concerning renouncing the H-bomb tests are without validity. Indeed, your arguments completely support the position of President Eisenhower and his administration that experimentation and tests must continue until a system of international control is developed.

You mention Foreign Minister Shepilov's statements of July 17, suggesting abandoning of bomb tests; but what you fail to mention is that on almost the day Mr. Shepilov made the statement the Russians were conducting nuclear tests in the interior of Siberia.

You, Dr. Lauritsen, and your associates know the leadtime required to conduct a test. You know that almost a year must transpire from the time the test is decided upon until it is made. This year is consumed in planning, assembling material and construction and, finally, in the transportation of the device, to be tested. Now, if we make a unilateral decision of a type you and your associates advocate and then Mr. Shepilov does as he did last July—turns around and sets off a few hydrogen bombs in their own testing ground—where do we stand? The answer is simple. We have lost a year; we are behind in the race; all of the dangers which you enumerate in your press release have been multiplied; valuable time has been lost; a reckless decision has been taken and the security of America placed in jeopardy because of it.

You point out that we are caught in a nuclear armament race, that time is running out and that nothing is being done to arrest the competition in this field between nations. You know that President Eisenhower went to Geneva in an effort to solve the disarmament question. You know that Secretary Dulles has met repeatedly with the foreign ministers of other countries, including Russia, in attempting to find a reasonable answer to the disarmament problem. You know that the United Nations has had its committees on disarmament in almost continuous session during recent years. You know that President Eisenhower placed Mr. Stassen in his Cabinet and assigned him exclusively to the task of finding an answer to the disarmament riddle. You know that 81 nations are now meeting in New York furthering our President's atoms-for-peace program. You know of these actions but still you state that time is running out and infer nothing is being done. How do you reconcile your position with the facts as I have outlined them?

Your statement is obviously designed to create fear in the minds of the uninformed that radioactive fallout from H-bomb tests endangers life. However, as you know, the National Academy of Sciences has issued a report this year completely discounting such danger. Also you know from your close contact with the tests that one of the important objects of them is to develop techniques for reducing fallout. The tests are to be applauded rather than criticized on this particular ground.

Your proposition that postponement of tests will delay the time when other nations might possess practical H-bomb experience seems to have no foundation. In fact, it is an argument that has for several years been a prominent part of Soviet propaganda, and you apparently have been taken in by this propaganda. No nation, friendly or unfriendly, has so much as hinted that our tests are stimulating their work or, on the contrary, that a unilateral decision on our part to abandon tests would cause them to decrease their emphasis on bomb development.

As far as our prestige in Western Europe is concerned, I have spent much more time in Europe during the past 2 years than you have and have been in touch with the civilian or military officials of practically all Western Europe governments, and I can tell you from personal knowledge that our conduct of tests, H-bomb or other nuclear devices, is not at issue with our prestige in Western Europe.

You infer that our Government shields our people from the realities of the dangers which confront us. This impression is false. President Eisenhower has repeatedly warned us of these dangers. Secretary of the Air Force Quarles dealt with the question at length in addressing the World Affairs Council in Los Angeles on last Wednesday. Secretary Wilson dealt with it last night on TV. Secretary Dulles has discussed the danger time and time again. Mr. Peterson of the Office of Civilian Defense has criss-crossed the country for 4 years warning of the very dangers of which you speak. Vice President Nixon has discussed the

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subject in Los Angeles and elsewhere in the United States on many occasions. The country has been advised time and time again that others have developed the H-bomb and the A-bomb, that they are building up stockpiles, that they have aircraft to deliver them. Our people have been repeatedly warned of the dangers—not shielded from the facts as you infer.

Surely the unilateral abandoning of the very tests which are an essential part of any development of this type does not improve the very situation that seems to worry you. On the contrary, it gives the advantage to our adversary and greatly increases rather than decreases the danger of America and the security of our people.

A unilateral decision of the type you recommend might be fatal to our country. It might easily lose for us the precious technical advantage we now hold. Think of the desperate circumstance we would find ourselves in today had we followed the advice of one scientist, Dr. Robert Oppenheimer, a few years ago and abandoned the development of the H-bomb. Democrats and Republicans alike at that time saw the folly of such thinking. I am sure the more thoughtful members of both parties will see the extreme hazards to our national security in the course you recommend and advocate.

I stand steadfastly behind a policy of disarmament when we reach agreement with other nations for a safe and proper procedure of inspection so that we Americans will be sure that, as we take our guard down through agreement with Russia, we will have no defense. This President Eisenhower has advocated time and again. It continues to be his policy; and you, unfortunately, have completely distorted his position in your press release.

Yours very truly,

JOHN A. McCONE.

Senator McCARTHY. This same question was raised during the hearings held by the Joint Committee on Atomic Energy preliminary to the confirmation of Mr. McCone as a member of the Atomic Energy Commission in 1958. In my opinion, the inquiry was not as thorough as it might have been, or at least the published reports of the inquiry were somewhat short of satisfactory.

It may be that the committee judged that this issue was not so important with reference to the appointment then being considered.

Following the issuance of the statement by the scientists, Mr. McCone wrote a letter dated October 15, 1956, to Dr. Thomas Lauritsen of the California Institute of Technology, which included the following statement:

Your statement is obviously designed to create fear in the minds of the uninformed that radioactive fallout from H-bomb tests endangers life. However, as you know, the National Academy of Sciences has issued a report this year completely discounting such danger.

Mr. McCone's letter makes reference to "a unilateral decision of the type you recommend might be fatal to our country," and also states with reference to the position of the scientists: "You apparently have been taken in by this propaganda." "This" refers to an earlier use of the word "Soviet" propaganda.

I do not know whether the scientists were taken in by Soviet propaganda or not. In my opinion, one should be extremely certain that such was the case before suggesting it in a letter. Mr. McCone's judgment that this was "designed to create fear" was a wholly subjective judgment which would be valid only if the author could read the minds of the authors of the first letter. In their letter the 10 scientists clearly did not advocate "unilateral" moratorium on testing. And this point was made clear in the hearings of the Joint Committee on Atomic Energy. And, finally, his interpretation of the position of the National Academy of Sciences position with regard to fallout is one which has been interpreted quite differently by others.

The report was generally interpreted as minimizing the danger from fallout. The New York Times story of June 13, 1956, however, headlined "Scientists Term Radiation a Peril to Future of Man," interpreted the report quite differently. Their story contained this statement:

"A committee of outstanding scientists reported today that atomic radiation, no matter how small the dose, harms not only the person receiving it but also all his descendants."

It has been reported that in addition to writing the letter, Mr. McCone, a trustee of Caltech, demanded that the 10 scientists be fired.

Senator SYMINGTON. Will the Senator yield at that point?

Senator McCARTHY. Yes.

Senator SYMINGTON. Does he know that is correct?

Senator McCARTHY. No; I do not know that it is correct. I assume that this committee could determine whether or not it is true. I have conducted no—

Senator SYMINGTON. Has he asked Mr. McCone whether it is correct or not?

Senator McCARTHY. I have talked to Mr. McCone about it, and I have read the hearings that were held before the Joint Committee on Atomic Energy, in which essentially the same question was raised, and the response of Mr. McCone was that none had been fired as a result.

But he did not say that he had not made the request.

Senator SYMINGTON. Did the Senator from Minnesota ask Mr. McCone whether he had made the request?

Senator McCARTHY. I raised the question and in the language that I have stated to the Senator from Missouri, and I assume that if he wishes to make a positive statement on it, he would have responded at that point.

Senator SYMINGTON. Did he imply that he had done it?

Senator McCARTHY. I would not say that he implied one way or the other.

Senator SYMINGTON. But you asked him the question and he was evasive in his reply?

Senator McCARTHY. I did not say "he was evasive." I say that I raised the subject and I could not say that he responded, and I am sure that he knew of my concern.

Senator SYMINGTON. Would the Senator state for the record what he asked the nominee?

Senator McCARTHY. Well, the nominee and I discussed this general question of the scientists and the controversy between him and the scientists, and he suggested to me, and had sent up to me, marked hearings of the hearings which were held before the Joint Committee on Atomic Energy.

Senator SYMINGTON. I am sure that my able friend from Minnesota would not want to leave the impression that he had asked Mr. McCone as to whether or not he had demanded the resignation of these scientists for taking this political position?

Senator McCARTHY. No.

Senator SYMINGTON. But that Mr. McCone had refused to reply?

Senator McCARTHY. I do not think I have implied that. I suggest in my statement that this is a proper question for this committee to

raise, if it wishes, or to inquire into in private. There has been no private investigation.

Senator SYMINGTON. I thank the Senator for his courtesy in yielding.

Senator SMITH. Mr. Chairman?

Chairman RUSSELL. Senator Smith.

Senator SMITH. Mr. Chairman, I would like to suggest or request that Mr. McCone at the conclusion of the prepared statement be permitted to reply to Senator McCarthy's questions before the committee starts its questioning.

Chairman RUSSELL. The gentleman is permitted to do that by unanimous consent, but, as a general rule, questions that are propounded to witnesses before this committee by Senators other than members of this committee are submitted in writing to some member who propounds them.

We do not permit the examination of any witness before this committee by Senators who are not members of the committee. We do not deny them the information. We give them an opportunity to submit their questions to some member of the committee, but I imagine that Mr. McCone will feel disposed to deal with these matters.

We can call on him when Senator McCarthy has concluded his statement.

Senator SMITH. Mr. Chairman, what I was trying to indicate was that Mr. McCone would have an opportunity to answer or reply to the Senator before we start questioning.

Chairman RUSSELL. Mr. McCone can reply to any one of these questions or any charges that have been made, even to the observations made by these persons who have been named by Senator McCarthy as involved in some aspect or another of the work of the Central Intelligence Agency.

Mr. McCone will be permitted the very widest scope in replying. We are not going to cut him off. This is a nomination for a position that is of vital importance to the security of this country, and it would be very inappropriate for the nominee not to make expression of his views or to answer any charges being made against him that he might desire to make, or any member of this committee may propound, or any Senator may desire to propound.

(See app. I.)

Senator SYMINGTON. Mr. Chairman, in support of the suggestion of the able Senator from Maine, I would ask unanimous consent, inasmuch as I have never seen this statement, and it is a long statement, that the statement being read by the distinguished Senator from Minnesota be copied and sent to every member of the committee, and that it be sent to Mr. McCone, and that he reply to it at his convenience for the record.

Chairman RUSSELL. We will be glad to do that. I imagine Senator McCarthy will furnish sufficient copies and furnish it to all members of the committee.

We want to get into every fact that has any connection, even a remote connection, with the qualifications of Mr. McCone to discharge the duties of this office. And if we get into an area where we deal with matters that might be determined classified and it is best not to discuss them in a manner in which information might be carried to a country that would destroy us, we will go into executive session.

We are not going to rush this hearing.

We are going to give Mr. McCone every opportunity to discuss any facet of this matter, and every member of this committee will have every opportunity to propound any questions they may desire of Mr. McCone.

Some of them may have to be propounded in executive session, but they will have an opportunity to do that.

Senator SMITH. Mr. Chairman, I shall not ask for a unanimous consent agreement, but I would hope very much that the chairman and the committee would give consideration to giving Mr. McCone the chance to reply to the statement being made by the distinguished Senator from Minnesota before the members of this committee start their questioning. (See app. I.)

Chairman RUSSELL. Well, if Mr. McCone desires to do that. I do not think we will require him to try to remember all of these questions and to answer them. There are a large number of issues raised here.

I have been listening as attentively as I can, but I would not undertake to discuss every issue raised by the distinguished Senator from Minnesota without having a copy of the statement before me.

We are not going to cut Mr. McCone off now. He will be permitted to reply to anything he wishes to in his statement. He is an intelligent man. He has had experience with Government. If it gets into an area that he thinks is classified, he can tell this committee. We are not going to rush Mr. McCone.

If he wants to come back this afternoon, if any members of the committee wish him back this afternoon, I am sure that Mr. McCone will be glad to accommodate the request of the committee to return.

If we do not conclude this afternoon, we will proceed tomorrow afternoon. We cannot tomorrow morning because we have another hearing arranged. But we shall not rush this matter to a conclusion, and we are not going to cut Mr. McCone off from making any statement he sees fit to this committee.

Senator CASE. Mr. Chairman, along this same line of giving the members of the committee adequate information for basing their questions, may I ask: Has Mr. McCone submitted to the committee a statement showing his holdings of interest in various companies?

Chairman RUSSELL. I understand we have not yet received a financial statement from Mr. McCone.

Senator CASE. Mr. Chairman, in connection with the confirmation of officers for the Department of Defense, this committee has always requested and received a statement in detail on that point.

Chairman RUSSELL. This is not the Department of Defense.

Senator CASE. I recognize that.

Chairman RUSSELL. That has been done because of the extensive procurement responsibilities of nominees for the Department of Defense.

If any Senator wishes to raise the question whether Mr. McCone has financial holdings that might influence him in his evaluation of the information, we will have an opportunity to raise that question, too. I would remind the Senator that the conflict-of-interest requirements that this committee imposes on nominees in the Department of Defense grows out of the magnitude of procurement there and which does not occur in the same degree in the Central Intelligence Agency.

If the committee wishes to apply it to any nominee in the Central Intelligence Agency, we will have an opportunity to decide that question.

Senator CASE. Mr. Chairman, no one has stated more succinctly than the chairman the importance of the position for which Mr. McCone is the nominee, and it would seem to me that if it is in the interest of good government or in the interest of the security of the national defense that we go into these matters in connection with Secretaries and Assistant Secretaries of Departments, we certainly could do no less in the matter of the Director of the Central Intelligence Agency.

Chairman RUSSELL. The committee will have an opportunity to decide that.

I said that, in my opinion, this position in many respects is second in importance only to the President. I know of no statute requiring the President of the United States to submit any statement of his holdings—

Senator CASE. That may be true.

Chairman RUSSELL. And whether he holds any stocks with any corporation that might do business with the Government.

Now, this committee will have an opportunity to discuss that before we take final action on this nomination. We may wish to apply that rule here. It never has been applied in the past to the Central Intelligence Agency.

Senator CASE. May I just say this: In comparing it with the Presidency, any candidate for the President goes through months and months of grueling cross-examination by the processes by which a President is nominated and selected, and the public has an opportunity to pass a judgment on that.

This is here the only testing ground, so to speak, for the qualifications for the Director of the Central Intelligence Agency, and in view of the fact, as has already been pointed out, that the operations of the CIA do not get the normal review that many departments get by congressional committees, it seems to me that at this time, and in this proceeding, we should have the information that would enable the committee to make a proper and sound judgment on this matter.

Many of the questions which I intend to ask are related to the possible conflict of interest or the holdings that the nominee has, and it would save considerable time if we had that statement in advance of his holdings so that all members of the committee might have an opportunity to consider it and direct any questions that might occur to them growing out of that information.

Chairman RUSSELL. Of course, the Senator well knows that he has the right to ask any questions he desires to propound, whether it is relevant or irrelevant.

I believe in the fullest discussion by Members of the Senate and in committees and would be the last to restrain. The conflict of interest requirement is built on the concept of procurement, and whether there is conflict of interest when a man is entering into contract for purchasing or expending public funds for procurement of materials.

Now, the committee will have an opportunity to decide in executive session whether we wish to apply that rule to the Director of the Central Intelligence Agency.

Senator CASE. I am not suggesting that. I am suggesting that I, as one member of the committee, would like to have that information

as a basis for questioning and relating it to other questions which I have in mind to ask.

Chairman RUSSELL. Very well.

Senator SYMINGTON. Mr. Chairman?

Chairman RUSSELL. Yes?

Senator SYMINGTON. As long as the Senator from South Dakota brings this up, I would like, as I have many times in years past, to present my position.

Until the Senate itself decides that it would like to know what stocks were bought and sold by Senators, and what their income is, until we in this body make a full disclosure of our own financial activities, I am not as interested in this as I would otherwise be.

Chairman RUSSELL. I do not wish to interrupt this discussion, but we have a witness. We would like to proceed with Senator McCarthy, if we can.

Senator CASE. I was merely going to say a candidate for the Senate, the same as a candidate for the Presidency, is subjected to considerable cross-questioning during his campaign for nomination or for election.

With respect to the point which the chairman made as to the conflict of interest being a matter of procurement, it is my belief that the Director of the Central Intelligence Agency, by the emphasis which he can give to the operations of Central Intelligence, either overt or covert operations, could either protect or neglect various interests of companies in which he might have an interest, and might color his own judgment as to where the objective interest of the United States rests.

Chairman RUSSELL. We are very glad to get the opinion of both distinguished Senators. You may proceed, Senator McCarthy.

Senator McCARTHY. Mr. Chairman, if I may comment on the point that was raised at the time I yielded the floor, I, of course, am certain that this committee will give the nominee adequate time to prepare and answer any questions to the committee that I have raised that the committee thinks is worthy of that kind of attention.

I have discussed, I think, every major point in my paper with Mr. McCone or with those whom he asked me to consult with. I hope I have not raised any new question or new issue in my paper here today.

If I could repeat, the question of the scientists is, in my judgment, a most important one. If I searched out the facts and had them completely sure, I might have raised them in a somewhat different way, but I could not do so.

And, because I think it is so important and because I think there is at least a lack of clarity with regard to this whole incident, I do think the committee should inquire into it.

Members of the academic profession should not face the threat of firing for expression of opinion, particularly under the conditions in which I believe these scientists expressed their point of view in the year 1956; nor should they be threatened with dismissal on the grounds that they have identified themselves with a university or an institute of which they were a part.

I can recall to the committee that in medieval time there was a kind of institution called the studium including scholars, the people who were supposed to give thought to the problems of their own time, and they were given a special political immunity and protection so that they might speak quite freely. And, in my opinion, any threat to the expression of opinion by academic people in our own time is most dangerous.

The most recent comment on this incident—

Senator BUSH. Will the Senator yield for a question?

Senator McCARTHY. Yes.

Senator BUSH. Does the Senator see in any of this business about Mr. McCone any threat to academic freedom?

Senator McCARTHY. Well, certainly, if as a trustee of the California Institute of Technology he undertook or suggested to the board that they fire these people because they expressed themselves with regard to nuclear fallout and the moratorium, I would think that this was an unwarranted intervention.

Senator BUSH. Did he do that?

Senator McCARTHY. This is the question that has been raised. I do not say that he has or not, but I think this committee can find out exactly what the facts are.

Senator BUSH. As the Senator is raising the question, it seems to me that he is the one who should have found it out.

Senator McCARTHY. If you will give me the investigators and the authority, I will do it. But I think this committee—this issue has been raised by another committee of the Congress. It has not been satisfactorily answered. So far as I know, if this committee feels it has been, on the basis of what I have had to say, on what the record shows, why, well and good. You can recommend this nominee for confirmation by the Senate. Or if you think that the question itself is not important.

But I do think that at least if enough of you concur in my judgment that this issue is still somewhat unclear, that the committee ought to try to find out what the facts are, and I think that the committee can find out what the facts are.

Mr. Chairman, it is within this general framework of the functions of the CIA, with consideration to the methods and procedures of that Agency, and also with consideration of the character and qualifications of the nominee, that this committee must make its decision and recommendations.

There are, I think, these basic questions to which your committee should seek answers.

1. Is the CIA to be reorganized and, if so, in what respects?
2. What bearing would such changes have upon the duties of the head of the CIA and upon the operation of that Agency? And possibly also its relation to Congress.
3. What are the views of the nominee as to the authority for some of the actions attributed to the Central Intelligence Agency in the field of foreign affairs within recent years?
4. What is the nominee's judgment as to methods which can be justifiably used by the Central Intelligence Agency?
5. What was the extent of the nominee's involvement, if any, in what has been described or reported as "leaks" from the Atomic Energy Commission with reference to the moratorium on nuclear testing?
6. What are the facts with regard to the charge of the nominee's attempt to have the scientists fired at the California Institute of Technology?

Mr. Chairman, I thank you and your committee for the courtesy of this hearing today.

Chairman RUSSELL. We are happy to have had you with us, Senator. We are all interested in your expression as to the Central Intelli-

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gence Agency. Even if Mr. McCone's nomination is approved, we are interested in your analysis of this office.

Now, Mr. McCone, you may make such statements to this committee as you desire to make.

Senator SYMINGTON. Mr. Chairman, may I ask is there a printed copy of this statement available?

Chairman RUSSELL. I cannot answer that question. I do not know.

Senator SYMINGTON. Does the Senator know?

Senator McCARTHY. I have submitted copies, but this is somewhat modified as to my remarks, but very slightly. I will be glad to leave this.

Senator SYMINGTON. Would the Senator be willing to have the mimeographed copy given to the committee so that the committee can question the witness, if it is desired, in accordance with the mimeographed copy?

Senator McCARTHY. I think the mimeographed copy is sufficiently accurate to be used for that purpose.

Chairman RUSSELL. We have a rule as a general proposition that requires the submission of a statement to the committee, but we have never applied that rule to Members of the Senate.

Senator SYMINGTON. Mr. Chairman, I would like to look over what was said with reference to the witness testifying because my mind could not carry all those many details in my head.

Chairman RUSSELL. The Senator's entire statement is now in the possession of the committee, not only the multigraphed statement, but his entire statement, and it will be available to any member of the committee.

The Senator says that this is not the complete statement, but it contains most of the matters.

Senator McCARTHY. As far as the facts are concerned, it is accurate, with some grammatical changes and slight modifications.

Chairman RUSSELL. Before we proceed any further, we will distribute this statement. I did not know it was here. I am advised that there are not enough to furnish to every member of the committee.

The Chair will make his available to members.

Senator SALTONSTALL. Mr. Chairman, this is headed, Senator McCarthy, as your testimony. Now, is this your testimony?

Senator McCARTHY. Yes, this is essentially the text of that.

Senator SALTONSTALL. Thank you very much.

Senator McCARTHY. I acknowledge this as the statement.

Chairman RUSSELL. Let us have order here where all the members of the committee can hear Mr. McCone.

Are you ready to proceed now, Mr. McCone?

**STATEMENT OF JOHN A. McCONE, NOMINEE, TO BE DIRECTOR OF
CENTRAL INTELLIGENCE**

Mr. McCONE. Yes.

Thank you, Mr. Chairman, for permission to make this statement to the committee.

There was circulated to the committee a day or two ago a biographical sketch and I would just like to brief it. I was born in San Francisco on the 4th of January 1902, and I have lived in California all of my life since then, with the exception of the time I have spent in Washington or elsewhere.

I graduated from the University of California in engineering and have pursued engineering or related work since that time.

Following graduation, I became interested in the steel business, in the fabricating and construction end, and during the period of 15 years was actively engaged with the Llewellyn Iron Works and then the Consolidated Steel Corp., which was its successor.

In 1937, I resigned as a director and executive vice president of that company to form with my associate, Mr. Stephen D. Bechtel, the Bechtel-McCone Corp. This company engaged in engineering and construction on a worldwide basis; and during the war was very actively engaged with others in various enterprises of engineering, construction, shipbuilding, aircraft modification, and so forth.

During the war I built—as president of the California Shipbuilding Corp., I organized and built the California shipyards at Terminal Island, which became the second largest emergency yard of the U.S. Maritime Commission, producing some 475 vessels of various types.

I might recall that the experience at that yard, which involved the recruiting and training and organizing of some 45,000, turned out to be one of the most successful efforts in this field.

Concurrently, at the request of the Army, the Bechtel-McCone Corp., of which I was the president, built a very large aircraft modification center at Birmingham, Ala., and there we equipped B-24 and B-29 aircraft for their special missions under directives from the Air Materiel Command of the Air Force.

During the war, in addition, we started at the request of the Maritime Commission certain shipping operations, and those have grown since the war into what I might say is my principal personal business activity at the present time. My principal business is the Joshua Hendy Corp., a shipping company wholly owned by me, which engages in both intercoastal and coastwise shipping, as well as offshore shipping, in the transportation of bulk cargoes such as iron ore and petroleum products.

I have, as this committee knows, had considerable experience in Washington.

In 1947, I was appointed by President Truman to the President's Air Policy Commission, which produced the report "Survival in the Air Age," which for several years became more or less of the directive for the building up of our airpower, and I am sure this committee is familiar with that report.

In 1948, I served as special deputy to Secretary James Forrestal. At that time there was no position of Deputy or Under Secretary of Defense, and I served in what might be considered that capacity for about a year's time. It was my responsibility then, under his direction, to prepare the first consolidated budget of the Department of Defense.

In May of 1950, I was appointed Under Secretary of the Air Force and served until October 1951.

In 1954, I was a member of Secretary Dulles' Public Committee on Personnel, which engaged in a study of the personnel problems of the State Department and caused the reorganization of the Foreign Service and other aspects of the State Department activities.

In July 1958, I was made a member of the Atomic Energy Commission and immediately appointed its Chairman and served until January 20, 1961.

I have been active in a number of educational and philanthropic and civic activities.

At the time of my appointment as Director of Central Intelligence, I was chairman and director of Joshua Hendy Corp. and Panama Pacific Tankers Co., and a number of their subsidiaries.

I was a director and a member of the executive committee of the Pacific Mutual Life Insurance Co.; a director of the Western Banking Corp., the First Western Bank of California, Trans-World Airlines, and the Standard Oil of California.

I resigned from all of those directorships and officeships.

(The nomination reference and biographical statement referred to follow:)

NOMINATION REFERENCE AND REPORT

IN EXECUTIVE SESSION,
SENATE OF THE UNITED STATES,
January 15, 1962.

Ordered, That the following nomination be referred to the Committee on Armed Services:

The following-named person, who was appointed during the last recess of the Senate, to the office indicated:

John A. McCone, of California, to be Director of Central Intelligence, vice Allen Welsh Dulles, resigned.

JOHN ALEX MCCONE

John Alex McCone was born in San Francisco on January 4, 1902. His father's family had been in the mining and machinery business in Nevada and California since 1860. His mother was the former Margaret Enright, of San Jose, Calif. He attended the public schools in Los Angeles, and the University of California at Berkeley, and was graduated in 1922 with the B.S. degree in engineering, magna cum laude. Mr. McCone and Miss Rosemary Cooper, of Nez Perce, Idaho, were married on June 21, 1938. They maintained homes in San Marino, Calif., and in Washington, D.C., until her sudden death on December 6, 1961.

Mr. McCone began his industrial career in 1922 as a riveter in the boiler shop of the Llewellyn Iron Works in Los Angeles. In subsequent years with that firm he worked as surveyor with its construction gangs and foreman of its steel erector crews, and at the age of 26 he became construction manager. In 1929, when the Llewellyn firm was merged with others into the Consolidated Steel Corp., he joined the new firm and served successively in various executive positions, including construction manager, vice president in charge of sales, and (from 1933 on) executive vice president and director. Among his major projects at Consolidated was one to provide steelwork for the Boulder Dam, being built for the U.S. Bureau of Reclamation by the "Six Companies" consortium.

In 1937 Mr. McCone left the steel business to join Stephen D. Bechtel in organizing a new engineering firm, the Bechtel-McCone-Parsons Corp., in Los Angeles. This firm, later renamed the Bechtel-McCone Corp., specialized in the design and construction of petroleum refineries, processing plants, and powerplants for installation throughout the United States, in South America, and in the Persian Gulf area. Late in 1939, at the outbreak of war in Europe, with various business associates, Mr. McCone joined the Six Companies group in forming the Seattle-Tacoma Shipbuilding Corp. They built merchant ships, first for the U.S. Maritime Commission and later for the British Government.

In the Nation's war production effort during World War II Mr. McCone and his enterprises participated extensively. He assisted in the establishment of the California Shipbuilding Corp. and served as its president and the general manager of its Terminal Island shipyard at Los Angeles. It became one of the Nation's principal wartime shipyards for the construction of cargo vessels, tankers, and troop transports. Through the Bechtel-McCone Corp. he built and managed the Air Force's modification center in Birmingham, Ala., where B-24 and B-29 bomber aircraft were specially fitted for combat. Through an affiliate, Pacific Tankers, Inc., and in cooperation with the Standard Oil Co. of California, he operated an extensive fleet of oil tankers for the U.S. Navy in the Pacific. He also served as director of the Marinship Corp., at Sausalito, Calif., and of the Oregon Shipbuilding Corp.

After the war, under Mr. McCone's leadership, the Bechtel-McCone Corp. took over the Joshua Hendy Iron Works at Sunnyvale, Calif., producers of heavy machinery and equipment such as ship propulsion units, reduction gears, and reclamation equipment. Subsequently, under Mr. McCone's presidency, the Hendy firm (eventually renamed the Joshua Hendy Corp.) redirected its efforts to overseas shipping, particularly the ore-carrying trade in South America and, through its Pacific Tankers Division, the operation of a fleet of oil tankers in the Pacific. In another venture, in 1945, Mr. McCone and his associates formed the Pacific Far East Line for cargo trade with Japan, the Philippines, and China.

Mr. McCone has also served on the boards of other enterprises, including the following: Curtiss-Wright Corp.; Crocker-Wheeler Electrical Manufacturing Co.; California Bank of Los Angeles; Pacific Mutual Life Insurance Co.; Industrial Indemnity Co.; Standard Oil Co. of California; Western Banking Corp.; Founders Fire & Marine Insurance Co.; and Trans World Airlines.

Mr. McCone's official service with the U.S. Government dates from the fall of 1947, when he was appointed by President Truman as a member of the President's Air Policy Commission, of which Thomas K. Finletter was Chairman. In that position Mr. McCone helped to formulate the military-preparedness aspects of the Commission's report, "Survival in the Air Age," issued on January 1, 1948. From March to November 1948 he served as Special Deputy to Secretary of Defense James V. Forrestal, and handled the preparation of the first two budgets of the newly established Department of Defense. In May 1950 he was appointed Under Secretary of the Air Force, with special responsibilities for the aircraft procurement program and the construction of overseas bases, including the planning of the base complexes at Thule, Greenland, and in north Africa. Upon his resignation in October 1951 to return to private life, Mr. McCone was presented the Exceptional Civilian Service Award, which cited him for his part in the doubling of American military aircraft production during that critical year of the Korean war.

During President Eisenhower's administration Mr. McCone served in a number of capacities. In 1954 he was a member of Secretary of State Dulles' Public Committee on Personnel (the Wriston Committee), which was concerned with increasing the effectiveness of the career services of the Department of State, both in Washington and abroad. On June 6, 1958, President Eisenhower nominated him for a 5-year term as a member of the U.S. Atomic Energy Commission. The nomination was approved by the U.S. Senate on July 9, and on July 14, 1958, he took office and was designated as Chairman of the Commission. He served until the close of President Eisenhower's administration in January 1961, when he resigned to return to private life.

Mr. McCone has participated in a number of civic, philanthropic, and educational activities over the years. He has been a director of the Stanford Research Institute, a trustee of the California Institute of Technology, a regent of the Loyola University (Los Angeles), and was one of the founders and first president of the Los Angeles World Affairs Council, established in 1954. In 1955 Pope Pius XII made Mr. McCone a Knight of St. Gregory, and in 1956 awarded him the Grand Cross of the Order of St. Sylvester. In March 1956 Mr. McCone served as President Eisenhower's personal representative to the Vatican at the Pope's 80th birthday celebration, and in 1958, with Secretary of State Dulles and Mrs. Clare Boothe Luce, represented the President at the funeral of Pope Pius XII.

Mr. McCone holds honorary degrees from many universities including the University of California, Notre Dame University, Fordham University, Clarkson College of Technology, and the Catholic University of America.

Mr. McCone entered on duty as Director of Central Intelligence under a recess appointment on November 29, 1961.

Mr. McCONE. Mr. Chairman, I know that the committee will be interested in the particular assignment that I have accepted from the President, and, for the record, the President asked me to assume the post of Director of Central Intelligence on, I think, the 27th of September, and I was actually inducted into office on the 29th of November.

During the intervening 2-month period I traveled extensively in examining the affairs of the Agency, took a trip both to the Far East and to a great many points in Europe. I think I could best explain the scope of the responsibilities which the President has asked me to

assume by reading for the record a letter of January 16, signed by President John F. Kennedy. The letter is as follows. It is directed to the Director of the Central Intelligence Agency, with copies to the Secretary of State, Secretary of Defense, the Attorney General, and to the Chairman of the Atomic Energy Commission.

In carrying out your newly assigned duties as Director of Central Intelligence it is my wish that you serve as the Government's principal foreign intelligence officer, and as such that you undertake, as an integral part of your responsibility, the coordination and effective guidance of the total U.S. foreign intelligence effort. As the Government's principal intelligence officer, you will assure the proper coordination, correlation, and evaluation of intelligence from all sources and its prompt dissemination to me and to other recipients as appropriate. In fulfillment of these tasks I shall expect you to work closely with the heads of all departments and agencies having responsibilities in the foreign intelligence field.

In coordinating and guiding the total intelligence effort, you will serve as Chairman of the U.S. Intelligence Board, with a view to assuring the efficient and effective operation of the Board and its associated bodies. In this connection I note with approval that you have designated your deputy to serve as a member of the Board, thereby bringing to the Board's deliberations the relevant facts and judgments of the Central Intelligence Agency.

As directed by the President and the National Security Council, you will establish with the advice and assistance of the U.S. Intelligence Board the necessary policies and procedures to assure adequate coordination of foreign intelligence activities at all levels.

With the heads of the departments and agencies concerned you will maintain a continuing review of the programs and activities of all U.S. agencies engaged in foreign intelligence activities with a view to assuring efficiency and effectiveness and to avoiding undesirable duplication.

As head of the Central Intelligence Agency, while you will continue to have overall responsibility for the Agency, I shall expect you to delegate to your principal deputy, as you may deem necessary, so much of the direction of the detailed operation of the Agency as may be required to permit you to carry out your primary task as Director of Central Intelligence.

It is my wish that you keep me advised from time to time as to your progress in the implementation of this directive and as to any recommendations you may have which would facilitate the accomplishment of these objectives.

I would just like to say for the record, Mr. Chairman, that one approaches responsibilities of this type with considerable concern, for many reasons, not the least of which is the extreme competence of Mr. Dulles, my predecessor, and also General Cabell, who is Deputy Director, who is resigning as of January the 31st.

That completes my statement.

Senator SALTONSTALL. Mr. Chairman, may I make a motion before you ask any questions in your capacity as chairman?

Chairman RUSSELL. Yes, sir.

Senator SALTONSTALL. My motion is that the Chair, who undoubtedly has the responsibility, anyway, of deciding the questions to ask in open session, and the questions in closed session, of this very important Agency regarding intelligence, make it clear that any question that he believes should be asked in closed session, rather than in open session, be so determined by him, and that that question not be then asked.

In other words, that the Chair shall have the responsibility, with the approval of the committee, of determining what questions may be asked in open session and in closed session.

We want to give every member a chance to ask all the questions that he wants to ask and should ask. There are undoubtedly some questions, especially those raised by Senator McCarthy, that, in my opinion, should be considered in closed session rather than open session.

And it is with the feeling of giving the Chair the support of the committee that he assume this responsibility that I make that motion.

Chairman RUSSELL. Let me say that I am sure that every member of this committee has the same interest as the Chair has and will not ask any question that is inappropriate and classified in this open hearing.

We shall not under any circumstances deny any member of this committee the right to ask any question they want in any area, however highly classified.

But I am sure that the members of this committee have the same interests I have in not getting into the field of classified material. I do not anticipate any difficulty. You have heard the motion by Senator Saltonstall. I did not request that he make such a motion.

Senator SYMINGTON. Mr. Chairman, my only thought about it, if I may say so, is that it seems to me that this witness is entirely capable of deciding himself what questions he could answer in an open hearing and what he could not.

Chairman RUSSELL. I think that is undoubtedly true, but I want to say—

Senator CASE. That would be his basic qualification for the office for which he is nominated.

Senator JACKSON. May I also add something, Mr. Chairman. I should also like to comment that a question itself could be a revelation of classified information, so that it is the duty and responsibility of us as Senators to remember the questions that we ask might, of themselves, reveal classified information.

But I think we all understand that.

Senator SALTONSTALL. I think we all do, Senator Jackson and Mr. Chairman, but I wanted to give the support to the Chair in making any ruling before any questions are asked even by the Chair himself, so that we have that perfectly clear understanding.

Chairman RUSSELL. I appreciate the Senator's suggestion, and, of course, the Senator can make any motion he wishes, but I would ask him not to press that motion right now. If we get to that question, the Chair will certainly express his opinion, if one is classified.

Mr. McCone will know and any member of this committee will know.

I am most grateful to the distinguished Senator from Massachusetts, but I ask him not to press it.

Senator SALTONSTALL. If there is the understanding, what I wanted to accomplish was to help support the Chair.

Chairman RUSSELL. I am extremely grateful to the Senator for his fine expression of confidence. Through all the years he has been a pillar of strength in the operation of this committee, whether I have been sitting where I am now, or whether I occupied the seat to my left.

I have a few questions.

Mr. McCone, do you conceive of your position as being one that makes policy in any respect that affects any part of this country?

Mr. McCONE. No, Mr. Chairman.

I do not think that the role of the Director of Central Intelligence is a policymaking position. I think the responsibility is to develop the facts and report them promptly and clearly and properly evaluate it to those who are responsible for making policy.

Chairman RUSSELL. Do you think that the Central Intelligence Agency could carry out any operation in any foreign country without

the knowledge and approval of the Secretary of State and the President of the United States?

Mr. McCONE. No.

The operations and activities, the operations of the Central Intelligence Agency which are carried on in foreign countries are with the knowledge of both the Secretary of State and the President.

Chairman RUSSELL. Has the office of the Director of Intelligence or have the activities of the Central Intelligence Agency, been reorganized?

Mr. McCONE. No, not appreciably, Mr. Chairman, except in the one respect that was mentioned both in Senator McCarthy's statement and in the President's letter, and that was to place on the U.S. Intelligence Board the Deputy Director of Central Intelligence as the Agency's representative on the Board, thereby relieving the Chairman of the Board from the responsibility of being the advocate of the Agency's position, so that he, as Chairman and the representative of the President, could act objectively on controversies when differences arose between the 10 or 12 members of the Board.

That is the first and most important change that has been made to date.

Chairman RUSSELL. Senator McCarthy suggested that there had been some change perhaps in the responsibilities of the Director of the Central Intelligence Agency that either increased or decreased his authority.

Has your authority been enhanced or diluted in any way, or has the authority of this office been either enhanced or diluted in any way, other than the one that you suggest?

Mr. McCONE. No.

Chairman RUSSELL. Since you have taken over the office?

Mr. McCONE. No, not at all; not at all.

I think the purpose of the President's directive was to be sure that the Director of Central Intelligence was his principal intelligence officer to exercise both activities which are provided for in the law.

One is the direction of the Agency itself; and the other is the coordination of the community as a whole, and that is done in the interests of, first, avoiding duplication, but, equally important, to see that there are no gaps.

Chairman RUSSELL. I know of no agency of Government or official of Government other than the President of the United States or the Congress of the United States that has the power under the Constitution either to enhance or to dilute the authority of the Director of Central Intelligence Agency, as spelled out in existing law and in the existing Executive directives. Do you know of any proposal that the President has under consideration that would alter the nature of your authority or the operation of your office?

Mr. McCONE. None that he has acted upon. There have been proposals made to him. He withheld any action or any comment on them, pending my appointment, and then submitted them to me for my consideration.

The first action that was taken was the one I mentioned and the general concept of the office, as embodied in his letter which I have just read, and I think that that is in strict conformance with the spirit of the act that established the Agency.

Chairman RUSSELL. Mr. McCone, I am sure you are aware of the fact that the legislation creating the Central Intelligence Agency was considered in this committee.

We consider that this committee is the one that has the overriding responsibility for exercise of the congressional authority over the Central Intelligence authority.

Mr. Dulles and your other predecessor in office have been called before this committee or subcommittees on numerous occasions, and they have always been both cooperative and forthright in their responses to any questions asked about any of the operations of the Central Intelligence Agency.

Do we have your assurances that the CIA during your tenure as Director, if you are confirmed, will continue this policy of relationship with this committee?

Mr. McCONE. Yes, sir; most certainly.

Chairman RUSSELL. I have another question. I want to get this clear as a corollary, of course, of the first one.

The CIA is established under the National Security Council, and in the very nature of things the Department of State would have a great deal to do with certain of the operations of the Central Intelligence Agency.

But, despite that fact, it is most important that this committee have at all times the independent judgment of the Director of the CIA without regard to any policy objective of any executive department, and I would like to be reassured that the information and the views that you would present to this committee, when you are asked questions, would represent your own conclusions in the intelligence field, not colored or influenced by any of the executive agencies of Government.

Mr. McCONE. I can give you that assurance, Mr. Chairman. As you note from the letter that I read, there is no intervening authority or agency between myself as Director of Central Intelligence and the President, and there is neither intent nor arrangement under which the views that I develop as Director of Central Intelligence would be influenced or that I would in any way be inhibited from expressing them to this committee or to higher authorities.

The procedure is to discuss matters of importance such as the national estimates at the U.S. Intelligence Board, and there to receive the views of the entire community. In the final analysis that Board, however, is advisory to the Director of Central Intelligence, who transmits his views to higher authority.

Chairman RUSSELL. Mr. McCone, the position of Deputy of Central Intelligence has increased considerably in importance over recent years, and I notice in this directive from the President that you are expected to delegate to your principal Deputy as you may deem necessary so much of the direction and detailed operation of the agency as may be required to permit you to carry out your primary task as Director of Central Intelligence.

Have you any assurances or do you expect to exercise your own independent judgment in selecting this Deputy without regard to the views of any department of the executive branch of the Government?

Mr. McCONE. In the final analysis, I will recommend to the President a man whom I would hope he would appoint as my Deputy.

The post of Deputy Director is a Presidential appointment and must be confirmed by the Senate.

Chairman RUSSELL. Yes, but I had understood that the President had usually followed the views of the Director in the selection of his chief deputy.

Mr. McCONE. And I think that will prevail.

Chairman RUSSELL. Do you consider that your responsibility is subject only to the overriding authority of the Commander-in-Chief, the President of the United States?

Mr. McCONE. That is correct.

Chairman RUSSELL. Senator Saltonstall?

Senator SALTONSTALL. Thank you, Mr. Chairman.

Mr. McCONE, possibly you have answered this question to the chairman, but I would like to emphasize it.

You intend to do your utmost to reorganize the CIA in any way that you think will make it a more efficient instrument for procuring intelligence and for carrying out its responsibilities?

Mr. McCONE. Yes, I think so.

I am studying the organization of the agency very intently, and I think that some changes are going to be indicated. I must say that the present pattern of organization of the agency is a result of years of study by some very competent people, both within the Government and outside consultants, and it is not a bad pattern of organization, although changes will be indicated, I feel sure.

Senator SALTONSTALL. As one who has the utmost respect for your predecessor, I am confident that you are willing to do everything you can to make it more efficient, but a new person coming in may have some ideas that would make it better. Certainly, you are going to do so, to the best of your ability, are you not?

Mr. McCONE. I think in all these departments of Government there is an evolution in management procedures and, with that, improvement.

Senator SALTONSTALL. The chairman brought out, I think, that you will come before this committee, and any time that the committee asks.

Now, if there is something of importance that you believe this committee or any subcommittee of the Senate should know about in connection with your work, you will be willing, or you will undertake to initiate a meeting with us, as well as to have us request a meeting with you?

Mr. McCONE. That is correct; yes.

Senator SALTONSTALL. Because many times it is difficult for us to know what may be going on, about which we should be informed.

Mr. McCONE. Yes.

I would most certainly seek that arrangement with the chairman. It was an arrangement that I had with the chairman of the Joint Committee on Atomic Energy, and I initiated any number of meetings with the committee as a whole or a subcommittee during my tenure in office.

Senator SALTONSTALL. Now, Mr. Dulles testified a number of times before the Space Committee and other committees that it was his responsibility, as he understood his job, to get the facts, but to have no policy opinion on those facts.

Now, Mr. McCarthy brought out several questions with relation to your opinion on the nuclear moratorium and on other matters.

Now, when you assume this job, it is my understanding that it is your job to report the facts to the proper policymaking members of

the Government and not to express your opinion in reporting those facts, unless, of course, in extreme cases it may be asked.

But, presumably, it is your job to report the facts and let them make the policy.

Mr. McCONE. As I said, from the standpoint of my competence in office, it is my responsibility to report facts, and, furthermore, I think I should avoid, so far as possible, being drawn in on a personal basis into any policy discussions because that, to an extent, may have some effect on what people, the validity that people might attach to the facts.

However, I would expect that because of the various areas of activity that I have had in Government in the past, that maybe my personal opinion may be asked on some subjects. But in my role as Director of Central Intelligence, it would be beyond my competence to deal with policy.

Senator SALTONSTALL. That is my understanding, and I hope that you carry that forward.

Now, I would like to ask this. There have been certain newspaper comments recently upon your qualifications to hold this office.

You were investigated, if that is the right word, or studied by a subcommittee of this committee in May 1950. That subcommittee was headed by Senator Byrd of Virginia, Senator Knowland, and Senator Hunt, on the proposal of Mr. Thomas K. Finletter to appoint Mr. John A. McCone of California as his assistant.

Now, that subcommittee reported favorably, and the full Committee on Armed Services recommended your appointment to that position in June 1950 and the Senate followed the recommendation of the committee.

At that time you gave some very substantial memorandums and letters regarding your certain holdings in the shipping business, and so on.

Again in 1958, when the question of your appointment as Chairman of the AEC came up, July 2, 1958, you were questioned by Senator Anderson and others on the Joint Atomic Energy Committee as to your holdings and as to whether those holdings would in any way affect your responsibility as Chairman of the AEC. And that committee found no evidence to prevent you doing that, and you were unanimously recommended by that committee, and the Senate confirmed your appointment.

Now, the events discussed in these newspaper articles, which I have read, were all prior to these two confirmations with one exception. But before I take up that exception, I would like to ask you:

Have any of the facts which you gave out in your memorandums, in your letters in 1950 and in 1958 to the committees, changed between 1958 and the present time?

Mr. McCONE. No. There has been no change.

Senator, I do not think that there has been any change in my personal holdings, none that I can think of, since I took office as Chairman of the Atomic Energy Commission in 1958. I have substantially the same portfolio of stocks, and I retain the ownership of my shipping companies, which I had both in 1950 and 1958.

Senator SALTONSTALL. Your shipping company, the management of it, if I read these comments correctly, has been turned over by you to some agencies who operate it and you are completely out of the management or operation of that company; is that correct?

Mr. McCONE. Yes.

In 1958, I turned the management of the shipping company over to others, and disassociated myself entirely. I then at that time placed the stock of those companies in trust in a bank, which was an irrevocable trust, revocable only when I left the Government.

Now, I have not placed that stock back in trust. I am perfectly willing to do so. I had not thought it was necessary because I cannot see that there is any interrelationship or any possible conflict of interest.

The atomic energy law is quite stringent in regard to that. It specifies that a Commissioner will engage in no occupation, profession, or business activity, and I just set that over in trust as an added insulation. While that could be done, I have not done it. I am perfectly willing to.

Senator SALTONSTALL. What you are telling us is that you are going to give your full time to the CIA, but you do not think that the ownership of certain stock in a shipping company is in any way a conflict of interest with relation to your duties in the CIA?

Mr. McCONE. None whatsoever.

Senator SALTONSTALL. But the management of that company is completely out of your hands at the present time?

Mr. McCONE. That is correct.

Senator SALTONSTALL. Now, there is one statement that was made in the newspapers that was not prior to 1958, and that is the question of to what line the nuclear ship *Savannah* was assigned, and the argument is that it was assigned to a company that was owned by you at the time that you were interested or about to be interested as Chairman of the AEC.

Have you any statement which you would care to make to the committee regarding that?

Mr. McCONE. Yes.

The operation of the *Savannah* was assigned to the States Marine Lines, in which I have no direct interest whatsoever. However, Mr. Henry Mercer and others in the States Marine Line were associated with me and others in shipping ventures, and for that reason this particular article that you refer to seems to infer that I in some way influenced this contract.

Now, the facts are that this contract was negotiated during the spring of 1958. It was awarded on the 6th of June of 1958. I took office the 9th or 10th of July, some 6 weeks later. Furthermore, the contract was negotiated not by the Atomic Energy Commission, but by the Department of Commerce, and the full extent of the AEC participation was to have a man on a committee that reviewed the thing.

We registered—and this was prior to my taking office—no objection to the award. So I have no part in that whatsoever.

Senator SALTONSTALL. And did you, prior to your appointment, discuss that question of the assignment of that ship with the Maritime Commission?

Mr. McCONE. No.

Senator SALTONSTALL. Or with the Department of Commerce?

Mr. McCONE. No.

I at no time discussed the assignment of that contract with anyone in Government.

Senator SALTONSTALL. So that the report that you had something to do with the assignment of the *Savannah* to that company is not based on fact?

Mr. McCONE. That is correct.

Senator SALTONSTALL. Now, just one more question, Mr. McCone.

Do you know of any conflict of interest or any reason that you have not given to us or given to the prior committee that could be considered a conflict of interest in your appointment to this very important office?

Mr. McCONE. I know of none.

I have had the matter examined by my General Counsel who, in turn, has discussed it with the Attorney General's Office, and have given me an opinion that there is no conflict of interest.

Senator SALTONSTALL. Thank you, Mr. Chairman.

Chairman RUSSELL. Senator Symington?

Senator SYMINGTON. Mr. Chairman, I have not had a chance yet to read the full statement of Senator McCarthy.

Chairman RUSSELL. We will have rounds of questions, so you can ask all the questions you wish.

Senator SYMINGTON. Shall I proceed then, sir?

Chairman RUSSELL. Yes. You will have another opportunity.

Senator SYMINGTON. In 1947, I first met Mr. McCone. He was working as adviser to Mr. Finletter, who was Chairman of the President's Air Policy Commission.

When Mr. Henry Ford decided he could no longer devote the time, Mr. Finletter had been impressed to the point where he asked Mr. McCone to become a member of that Commission.

In the spring of 1950, for reasons that are not important, I decided to leave the Air Force and asked President Truman if he would appoint Mr. Finletter Secretary. President Truman said he would appoint him. I said Secretary Finletter would accept the position provided the President would also agree to have Mr. McCone as Under Secretary of the Air Force. The President said that if he was the right man, he had no objection to the fact that he was a Republican.

And so he came before this committee.

All of the questions normally asked him as a new entry into a position of that character were asked before this committee, and he was confirmed by the Senate.

Later on he retired into private life. Then President Eisenhower, with an obvious problem in the Atomic Energy Commission, asked him to become Chairman of that Commission. He accepted that position. Once again he was asked all questions considered important, and he was confirmed for that second position.

To the best of my knowledge, the confirmation was unanimous. I am not sure about that.

Is that correct?

Mr. McCONE. Yes, on both occasions.

Senator SYMINGTON. On both occasions.

I might add that I mention his being a Republican because one of my colleagues said, "Why can't the President get a Democrat?"

One of the great teams in this business of Government since I have been connected with it was put in by President Roosevelt, when he had Secretary Stimpson, Secretary Knox, Secretary Patterson,

Secretary Lovett, Secretary McCloy, all well known to most of this committee and all incidentally, Republicans.

So I think that far from there being any criticism of President Kennedy, there should be commendation for him in his effort to get the best man he could for this important position, regardless of party.

I have been especially interested in new blood in the Central Intelligence Agency because of its importance to our national defense. Inasmuch as the previous administration of this Agency told us early last fall that their estimate of Russian long-range missile capacity in mid-1961 was only 3.5 percent of what they estimated it would be only 19 months previously, and inasmuch as in a nonaggressor nation like ours there are tens of billions of dollars annually spent by our Government, which they tax the people for, our own defense plans would seem to depend primarily on what our national intelligence believes a possible enemy is doing.

The President's effort to improve the management of the Central Intelligence Agency—and I say this without the slightest criticism of the past—should be commended by all Americans.

I never saw this statement of Senator McCarthy's before; but there are questions in it which might properly be asked by people who read it.

First, on page 2, it says that:

"Intelligence is too important to be left to the unsupervised," a quotation from Mr. Hanson Baldwin of the New York Times. I would estimate that in many cases, Mr. McCone, you will be the most supervised man in the Government. To the best of my knowledge, yours is the only operating agency, which in effect, reports to a council, the National Security Council in this case, although inasmuch as that is an advisory body to the President, therefore you report directly to the President.

But is there any belief on your part that you will be unsupervised in this position?

Mr. McCONE. No, Senator Symington.

I think that with respect to the areas of greatest concern that there is adequate supervisory machinery established.

Senator SYMINGTON. The statement says the Director of the Central Intelligence Agency is Chairman of the U.S. Intelligence Board.

Mr. McCone has changed the procedure and asked that the Deputy Director of CIA sit as a member of the Board while Mr. McCone presides.

That, to me, would seem to be a useful and logical request on your part. It is brought up here, first, I ask if it is true; and, secondly, if so, why?

Mr. McCONE. Well, in answer to the first part of your question, it is true.

The reason for it is that there was a feeling of the body of opinion within the intelligence community that the Director of Central Intelligence, sitting as Chairman of the Board and at the same time the advocate of the agency viewpoint, in any controversies with, or differences of opinion with, the other elements of the intelligence community might be a prejudiced Chairman.

Therefore, it appeared to me that if I served as Chairman and as the President's representative, and the Deputy was the advocate of the

agency viewpoint, it would give me a considerably more objective point of view.

Senator SYMINGTON. That makes sense to me.

Now, on the top of page 4 the Senator from Minnesota makes the statement about the ousting of Mossadegh.

History has not yet clearly demonstrated that this was the wisest policy.

I am chairman of the Mid-East and South Asia Subcommittee of the Senate Foreign Relations Committee, and spent considerable time last fall in Iran. We all have a right to our opinion. My opinion is that if Mossadegh had stayed on, the Tudeh Party would have dominated and today Iran would be a Communist country.

In any case, this is not an examination of our foreign policy, as I see it. It is an examination of you as the new appointee of the President to direct the Central Intelligence Agency. So, for the record, did you have anything to do with the Mossadegh episode?

Mr. McCONE. No, sir.

Senator SYMINGTON. Did you have anything to do with the gyrations incident to Souvanna Phouma and all the other Phoumas in South Vietnam?

Mr. McCONE. Yes.

As a member of the National Security Council, we discussed the Laotian situation a great many times. And, as you know, I sat on that Council as Chairman of the Atomic Energy Commission, and this subject was before us quite often.

Senator SYMINGTON. You were a statutory member of the National Security Council.

Mr. McCONE. Not statutory, but by invitation by President Eisenhower.

Senator SYMINGTON. In other words, President Eisenhower wanted your opinion and advice in these matters so he asked you to sit on the National Security Council?

Mr. McCONE. That is correct.

Senator SYMINGTON. With him and the others.

Mr. McCONE. With the National Security Council and the Cabinet.

Senator SYMINGTON. Now, there have been some implications that perhaps you have not had too much experience in intelligence. Is there any higher intelligence requirements in the Government that you know of beyond the Atomic Energy Commission?

Let me rephrase it this way:

Even though you are cleared for top secret documents in normal branches of the Government like the Defense Department, that does not clear you for atomic information, is that correct?

Mr. McCONE. That is correct, yes. That is correct.

Senator SYMINGTON. Thank you.

The fact that Chairman Glenn Seaborg announced major changes in the organization of the operating staff of the Commission, the implication is that when he got there, he found there were some improvements he could make in the operation of the Atomic Energy Commission.

In my earlier business career I dealt primarily with the railroads, General Motors and Sears, Roebuck. The railroads were never trying to reorganize but General Motors and Sears, Roebuck were doing it every month.

The relative position of those three might be considered when also considering that fact. Regardless of any efficiency in a company, the policy of the better corporations, or the better Government departments, is to constantly look for improvement in management in order to get maximum return from investment. Is that a fair statement?

Mr. McCONE. Certainly, that is true.

Senator SYMINGTON. Now, the statement here would seem to place you into what might be called the big bomb group. You and I have not talked about these matters for many years. As I remember, when there were people who were willing to, in effect, rest our military position or a large percent of it, on the concept of strategic retaliation, you were the leader in the civilian end about the importance, also, of tactical air.

Is that a fair statement?

Mr. McCONE. Yes; I think that is right. I think I had a great deal to do with the development of tactical air, although I was a strong supporter, have been and continue to be a strong supporter, of the concept of massive retaliation.

Senator SYMINGTON. In other words, you want to see us equipped to fight every type of war, based on your experience, and not just one type?

Mr. McCONE. That is right.

Senator SYMINGTON. Do you agree with the President when he says we should have some difference between humiliation and nuclear response?

Mr. McCONE. I think that is a statement that is subject to a variety of interpretations, and I would prefer not to comment on it.

Senator SYMINGTON. Would you comment on it in executive session?

Mr. McCONE. No.

I will state this: That I think that we must have a capacity to conduct wars at various levels, small wars that we might become engaged in as we did in Korea. We also must have the capacity to handle ourselves in the ultimate war.

Senator SYMINGTON. I do not see how anybody could object to that position, the logic of it.

Now, on this question of moratorium, the statement says you have been outspoken in opposition to an unpoliced moratorium for nuclear weapons testing.

Is that correct?

Mr. McCONE. Yes.

Senator SYMINGTON. I join you in that and the others who have been unwilling to trust the Communists in this field.

In that connection a former member of the Atomic Energy Commission pointed out to me this testimony, Mr. Chairman, which was in the Joint Committee on Disarmament, April 16, 1958. I mention this because Dr. Bethe is quoted often in this regard.

On that day I asked Dr. Hans Bethe:

If we are ahead, as you say, then, of course, it is to our advantage to stop testing now. But if we are ahead and we stop testing, and they are behind and agree to stop testing but do not, then, of course, they would rapidly overtake and pass us with respect to the development of weapons. Is that a fair statement?

And Dr. Bethe replied:

If they continued testing and we stopped it, they would certainly catch up and overtake us. However, it is my belief, as I have said, that they could not substantially improve their capability without a tremendous risk of being detected.

I present that, as the Soviet's have gone from persuasion to intimidation, they ran some 50 atmospheric tests in complete contempt of world opinion, and thereby tremendously improved their relative military position as against the position of the United States.

Chairman RUSSELL. Whose testimony is that, Senator?

Senator SYMINGTON. Dr. Hans Bethe, Mr. Chairman, before the Joint Committee when members of this committee, and the Atomic Energy Committee, were also with Foreign Relations.

Senator SALTONSTALL. The questioner was yourself?

Senator SYMINGTON. The questioner was myself, and that was Dr. Bethe's reply.

Getting down to this letter, there have been some quotations from the letter, a statement about the letter these scientists wrote. I have never seen the letter, and would like to have a copy of it.

Mr. Chairman, I would like to read this letter and, if necessary, ask some questions on it when my turn comes again.

Chairman RUSSELL. Very well.

I would assume he will be asked about the letter, whether it is the one he wrote. It has been covered rather fully in the hearings before the Atomic Energy Committee in 1958. It is available so far as the records of the Senate are concerned.

Senator SYMINGTON. That is true, Mr. Chairman.

Mr. McCone, did you recommend that these scientists be discharged from their position because of what they wrote in support of a particular candidate in 1956?

Mr. McCONE. No. I brought no formal charge against them before the Board of Caltech. My letter, which I presume is the letter you have, was directed toward Dr. Lauritsen, and it was in criticism of, first, this position they took which I was in disagreement with, and, second, the fact that they acted on the mantle of their high authority as a group of Caltech scientists, and I objected to that likewise. However, my communications were directly with them and not with the university authorities.

Chairman RUSSELL. The letter you wrote, the one you furnished the Atomic Energy Committee in 1958, which appears in the printed record of that year?

Mr. McCONE. Yes. It is in the printed record of the hearings.

Chairman RUSSELL. And you wrote it to the professors?

Mr. McCONE. I wrote it to the professors and not the university authorities, and I noted from the carbon copy this morning, just to refresh my memory, there was no copy of it sent. At least there was no copy indicated that it went to any other source.

Senator SYMINGTON. Has the committee a copy of the letter?

Chairman RUSSELL. Here it is. It was printed in the hearings before the Atomic Energy Committee. I notice he very strongly opposed unilateral abandonment of atomic testing in that letter.

Mr. McCONE. Yes, sir; I did oppose it very strongly.

Chairman RUSSELL. I am still opposed to it now, I may say.

Mr. McCONE. No, the point I was making, Senator Symington, was that my carbon copy of that letter does not indicate that copies of the letter were sent to the university. There was no official transmission to the university that I recall now. This is several years back, and I must go on such records as I have here.

Senator SYMINGTON. Is there anything further that you would like to say with respect to this letter? You did not agree with these people; and you were a trustee of the university at that time.

Mr. McCONE. Yes, I was.

Senator SYMINGTON. And you disagreed with them and you told them that you disagreed with them and you told them why, is that correct?

Mr. McCONE. That is correct.

Senator SYMINGTON. Let the record show I have never discussed this with Mr. McCone. You sent no copies to anybody?

Mr. McCONE. None officially, no. I cannot say that somebody did not see copies of it.

Senator SYMINGTON. To the best of your knowledge?

Mr. McCONE. There was no official copy, and I did not request the board of trustees to take any action on discharging any of these men.

Senator SYMINGTON. So that any statement or implication you tried to get these people fired is incorrect, is that correct?

Mr. McCONE. That is right.

Senator SALTONSTALL. Would the Senator yield at this point on this question?

Senator SYMINGTON. I would be glad to yield.

Senator SALTONSTALL. Mr. McCone, in connection with the letter, Representative Holifield said—this is on page 16 of the testimony on the hearing of John A. McCone to be a member of the Atomic Energy Commission, dated July 2, 1958—Mr. Holifield stated:

Mr. McCone, I listened very carefully to the reading of your letter. I certainly think you had all the right in the world to write such a letter. There are many things in the letter with which I concur. I have debated in public with Dr. Linus Pauling against this so-called position which, as I understand it, is a bit fuzzy and is quite a bit on the unilateral side. I could not sustain such a position myself. I think that it will have to be an international agreement which will run concurrently and which will be adequately policed and inspected to assure compliance by an international team.

There was one thing, however, that I noted in your previous statement which I thought I might ask you a question on. You made the statement that this group of scientists was using the university as a platform. I would like to know if in signing their signatures they signed it as individuals, or did they sign it as 10 scientists of Caltech University, or if that was the reference given to the letter by a newspaper headline.

Mr. McCONE. I think they signed it as individuals, but it was accredited probably by the newspapers.

Mr. Holifield agreed that you had every right to make the statement that you did at that time. I thank the chairman. I hope that might be helpful.

Senator SYMINGTON. Mr. McCone, I want to get this straight in my mind. We have heard talk today about academic freedom.

All people have freedom, as well as academicians. You were a trustee of this university. You, therefore, had certain authority and responsibility connected therewith. You did not agree with these people. You wrote them a letter stating, or at least one of them, that you did not agree, and you did not ask that they be discharged because they wrote the letter; is that correct?

Mr. McCONE. That is correct.

Senator SYMINGTON. Now the Senator from Minnesota asked six questions here. The first is: Is the CIA to be reorganized; and, if so, in what respects?

I do not see how you would know how you could reorganize it until you get into it and see it operate for a while, but, nevertheless, perhaps you could.

Would you comment on that?

Mr. McCONE. Well, I can go no further at this point, Senator Symington, than my prior remarks, because, as you know better than most, the problem of reorganizing as large a department of Government as this Agency, with a serious undertaking, is one that demands a most penetrating study.

Senator SYMINGTON. The second question he asks is: What bearing would such changes have upon the duties of the head of the CIA and upon the operation of that Agency?

Mr. McCONE. I think the letter that I read pretty well answers that question.

Senator SYMINGTON. And the third question: What are the views of the nominee as to the authority for some of the actions attributed to the Central Intelligence Agency in the field of foreign affairs within recent years?

Mr. McCONE. Well, that gets into the whole question of the jurisdictional or constitutional right of the Agency, and I am not a constitutional lawyer, and I do not feel competent to comment. I can say that it is my understanding, however, that the President has wide powers in the field of foreign relations and is empowered to do the things that are necessary in our national interests, and those national interests now are, in my opinion, best served by taking steps to defeat the encroachment of communism.

I feel that the Agency operates under the direction of the President and will continue to do so, and, as one of the arms of his complex of establishments, is involved in the conduct of foreign policy.

Chairman RUSSELL. Senator, will you permit me to ask a brief clarifying question?

Senator SYMINGTON. Yes, Mr. Chairman.

Chairman RUSSELL. If I understood the phrasing of that question, it says: What are his views on all of these acts attributed to the Central Intelligence Agency?

I trust by this answer, Mr. McCone, you are not accepting the responsibility of the CIA for everything that has been attributed to it.

Mr. McCONE. No, no.

Chairman RUSSELL. I want to make that clear.

Mr. McCONE. Not in any regard.

Senator SYMINGTON. As one who heard the testimony, Mr. Chairman, before the Foreign Relations Committee of some of the recent activities of the CIA, I must say in all honesty the former supervisors may have made mistakes, but they were fine witnesses, frank and honest.

The next question asked is: What is the nominee's judgment as to methods which can be justifiably used by the Central Intelligence Agency?

That is quite a question in itself.

Mr. McCONE. That is quite a question and one which I would not feel free to respond to.

Senator SYMINGTON. The next question: What was the extent of the nominee's involvement, if any, in what has been described or reported as "leaks" from the Atomic Energy Commission with reference to the moratorium on nuclear testing?

Mr. McCONE. In all the time that I was the Chairman of the Atomic Energy Commission, I knew of no instance where I personally, or any one of the Commissioners, were charged by anybody with leaking anything either on this subject or any other subject of a classified nature.

Senator SYMINGTON. If you had done so, in effect, you would be violating your oath of office, would you not?

Mr. McCONE. Why, yes.

There were leaks in this area, but there were none that were attributed to the Atomic Energy Commission.

Senator SYMINGTON. If you attempted to operate beyond the supervision and direction of the President and/or his delegated representative as Chairman of the National Security Council in the absence of the President, you would also be violating your oath of office, would you not?

Mr. McCONE. That is right.

Senator SYMINGTON. Your answer?

Mr. McCONE. That is correct.

Senator SYMINGTON. Now, the final question here, I think you have already covered. What are the facts with regard to the charge of the nominee's attempt to have the scientists fired at the California Institute of Technology?

Mr. McCONE. I can add nothing to what I have said on that subject.

Senator SYMINGTON. Mr. Chairman, I have known this nominee for many years. In my opinion, there has never been a better public servant in Washington.

He has twice come before this body. Both times he has testified with complete candor on all subjects asked him. He was, thereupon, confirmed unanimously both times by the U.S. Senate.

This position, from an intelligence standpoint, is closely related, to a lesser extent, to the position he had in the Air Force years ago and, to a greater extent, to the position he held as Chairman of the Atomic Energy Commission.

Many members of that Commission have told me that his work on it was superlative, including the distinguished member of this committee who serves on the Joint Committee, Senator Jackson, and also the chairman, Senator Clinton Anderson.

Both of them said that, in their opinion, his work was superlative in a field which, obviously, is so important to intelligence. I cannot imagine a better training school for a man in this position, a man of high character, one who has had so much successful business experience. When his country asked, he went into the Pentagon Building, national defense, and was the No. 1 man in atomic energy in this country over a period of years.

I congratulate the President for recommending the appointment of Mr. McCone to this position, and look forward to the privilege of voting for him for the second time on the Senate floor.

I thank the Chair.

Chairman RUSSELL. Thank you, Senator.

The committee will now take a recess until 2:15, and I will appreciate punctuality on the part of the members of the committee.

(Whereupon, at 1:10 p.m., the hearing recessed, to reconvene at 2:15 p.m., the same day.)

AFTERNOON SESSION

Present: Senators Russell (chairman), Stennis, Symington, Jackson, Thurmond, Bartlett, Cannon, Saltonstall, Smith, Case, Bush, and Beall.

Chairman RUSSELL. The committee will come to order.

Senator Smith of Maine is the next Senator in order to question the witness. You may proceed, Senator Smith.

STATEMENT OF JOHN A. McCONE—Resumed

Senator SMITH. Mr. McCone, I shall not be convinced in favor of your nomination until you have made a full reply to Senator McCarthy's statement this morning answering as much as possible of that statement without violating security, which may be made public and given to the American people.

Mr. McCONE. I will be very glad to do that. It would take a little time. It is a long statement and an involved one. I would be very happy to do that.

Senator SMITH. Before I could vote on the nomination I would want to feel that the American public had a reply to his statement this morning.

Mr. McCONE. There are some points that it will be difficult to answer fully in anything other than an executive session.

Senator SMITH. That is all right. I would be glad to have you say what is security and what is not, and permit all the rest of it to be released to the public.

Mr. McCone, my impression of the Central Intelligence Agency, based upon my knowledge and experience with it, as a member of the Senate Armed Services Committee, Senate Appropriations Subcommittee on Defense, the Senate Appropriations Subcommittee on Foreign Relations, the Senate Preparedness Investigating Subcommittee, and the Senate Aeronautical and Space Sciences Committee, has not been a very favorable one.

The Cuban debacle and fiasco climaxed my very serious reservations about the CIA and the way it was being run. Coupled with this record is the fact that the CIA enjoys a virtual immunity from reporting to Congress on its activities and on its expenditures. It has very little, if any, real check placed upon it.

Like no other agency in our Federal Government, it has been given a congressional blank check for its operations and its administration and, unfortunately, under such circumstances, Congress literally operates in the dark as to the CIA, without any chance to measure its effectiveness, its justifications, and whether it should be revised and improved; that is, we operate in the dark until it is too late, and we do not learn of the faultiness and the damage until after the damage has been done. Such was the case of Cuba.

Because of this, and because of the great unlimited and unchecked powers so far as Congress is concerned that are held by such a vital agency, that is such a vital part of the life and death of our country, I believe that we should take the greatest care in the selection and the confirmation of the Director of the Central Intelligence Agency, and it is with these thoughts in mind that I wish to ask you several questions.

If I seem to repeat some that have been asked, may I say to you that I am doing so purposely as I want to clear my mind on some of the items.

It is my recollection, Mr. McCone, that all of your predecessors had some prior training or experience in the field of intelligence prior to their appointment as Director of the Central Intelligence Agency. Will you tell the committee what training or experience you had in the field of intelligence prior to your appointment to that position?

Mr. McCONE. None.

Senator SMITH. In view of your lack of training and experience in the field of intelligence, you are unique, are you not, in comparison with all of your predecessors?

Mr. McCONE. I do not know that because I do not know the experience of my predecessors.

Senator SMITH. What then makes you feel that you are suitably and adequately qualified to be the Director of the Central Intelligence Agency when you have had no experience or training in the field of intelligence?

Mr. McCONE. I think, Senator, that that was a question decided by others than I.

Senator SMITH. Who recommended you for the appointment?

Mr. McCONE. I do not know.

Senator SMITH. Who besides the President talked with you about taking the position?

Mr. McCONE. No one.

Senator SMITH. Was there not some question in your own mind about your qualifications?

Mr. McCONE. A very serious one.

Senator SMITH. Did you not raise such a question with the President and others with whom you talked?

Mr. McCONE. I raised it in my own conscience, naturally; with my wife. Yes.

Senator SMITH. But not with the President?

Mr. McCONE. No; I did not raise it with the President.

Senator SMITH. It has been alleged to me, Mr. McCone, that the CIA has been or is supporting the political activities of certain ethnic groups in this country, such as the Polish and Hungarian group; is this true, and if so, what comment do you have to make?

Mr. McCONE. I can make no comment on it.

Senator SMITH. Pardon?

Mr. McCONE. I could make no comment on that.

Senator SMITH. Is it true?

Mr. McCONE. I couldn't comment on it.

Senator SMITH. Would you please state to the committee what you feel is the proper mission of the CIA: what are its proper activities; what reports should it make to Congress; what responsibility has it to Congress; and what are the proper limits of CIA?

Mr. McCONE. That is a very difficult and very large question. I think that the responsibilities of CIA, its scope of activities, its purposes, are quite definitely spelled out in the act that created the Agency and the subsequent amendments to that act.

Senator SMITH. I am thinking more in terms of limitations: what it should not do, Mr. McCone. Do you have anything to that?

Mr. McCONE. I think the primary purpose of the CIA, of the Agency, is to collect and to assemble and to correlate and evaluate

and disseminate intelligence which comes from all sources. In addition, I think that in the discharge of its other responsibilities that are referred to in the law.

Senator SMITH. As you may recall, President Kennedy, in a message to Congress on April 27, 1961, made the following statement on conflicts of interest, and I quote:

No responsibility of government is more fundamental than the responsibility of maintaining the highest standards of ethical behavior by those who conduct the public's business. There can be no descent from the principle that all officials must act with unwavering integrity, absolute impartiality, and complete devotion to the public interest. This principle must be followed, not only in reality, but in appearance, for the basis of effective government is public confidence, and that confidence is endangered when ethical standards falter or appear to falter.

Three months prior to this statement by President Kennedy, a subcommittee of this committee was appointed on conflict of interests. I am a minority member of the Conflict of Interest Subcommittee, which was appointed on January 28, 1961, and I might say here that, frankly, I think we have been delinquent on our assignment to make recommendations regarding committee policy on divestment of securities and holdings and other business interests by civilian nominees.

I have read in the newspapers allegations made by Columnist Drew Pearson charging conflicts of interest in your nomination. These allegations are serious, and I want to be fair to you in connection with them, for I have experienced frequent misrepresentations made against me by Mr. Pearson's associate, Jack Anderson.

So it is with these thoughts in mind that I wish to ask you questions on these allegations. If my recollection is correct, Secretaries of Defense have divested, or some of them have divested, themselves of certain stocks upon taking office.

However, it is my understanding that when you were up for confirmation on appointment to the Atomic Energy Commission, you placed your steamship line stock in trust, but did retain all your stock, and that you further testified that your Joshua Hendy Co. would continue to do business with various contractors, with the Atomic Energy Commission; namely, Union Oil, Dow Chemical, Standard Oil of New Jersey, Standard Oil of California, and Kaiser Aluminum. Is that, in general, correct?

Mr. McCONE. Yes; that is correct.

Senator SMITH. Without attempting to trace in detail the various corporate organizations, the San Marino, the Global Bulk, the States Marine Lines, and the Joshua Hendy Co., is it not true that you, through your companies or your stock, have had significant holdings or joint business interests and activities or working partnership with the States Marine Lines?

Mr. McCONE. Yes.

Senator SMITH. On or about the time you were up for confirmation as Chairman of the Atomic Energy Commission, you were aware, were you not, that the question of selecting a shipping line to operate the atomic energy vessel *Savannah* was very much under consideration in shipping circles here, in the Maritime Commission and in the Atomic Energy Commission?

Mr. McCONE. The matter had been decided prior to my appointment to the Atomic Energy Commission.

Senator SMITH. You did know about it?

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Mr. McCONE. I was told after, shortly after, my appointment. The decision had been made by the Department of Commerce on the 6th of June, I believe, that the award had gone forward to the States Marine Lines to operate *Savannah*. This is a decision made by the Department of Commerce and I think I mentioned this morning that this was some 6 weeks prior to my taking office at the Atomic Energy Commission.

Senator SMITH. It is my recollection that a special board composed of Maritime and Atomic Energy officials made recommendations as to which company was best qualified to operate the *Savannah* and that of the seven listed, the States Marine Lines, with which you had a working partnership, was rated next to the last, but shortly thereafter something caused a reevaluation which brought States Marine Lines up into second place, and then ultimately it was chosen even over the first ranking American Presidents Line. Did you ever discuss the operation of *Savannah* with any Government officials at any time?

Mr. McCONE. No; I did not, and as far as that statement that you just read, the only information I have on it came from the same source as you, because I saw it in the same news article. I knew nothing about this.

Senator SMITH. On page 19 of the July 2, 1958, hearings on your nomination to the Atomic Energy Commission, the record shows that you were asked:

Are there other large industrial organizations with which you have had rather intimate business relationships that do business with the Atomic Energy Commission?

And that in your answer you omitted mention of States Marine Lines with which you had a working partnership and which received the award to operate the atomic energy vessel *Savannah*.

Why didn't you mention the States Marine Lines in your answer?

Mr. McCONE. Well, I cannot recall except that there was no contract between States Marine and the Atomic Energy Commission. The contract was between States Marine and the Maritime Administration.

Senator SMITH. It is my understanding, Mr. McCone, that you are the second largest stockholder in Standard Oil of California, holding approximately \$1 million worth of stock, and that in 1960 Standard Oil of California did more than \$2 million worth of business with your wholly owned Joshua Hendy Co. and associates interested in charter hire, and that you have stockholdings in Standard Oil of New Jersey.

It is clear that the CIA must make some evaluations, recommendations, and reports to the President regarding the Middle East where these two oil companies are in competition with other oil companies, and where oil companies have been seized in the past—and also about oil-rich Venezuela.

Do you see any possibility of conflict of interest on these matters as CIA Director when you have such large holdings in these oil companies?

Mr. McCONE. Well, in the first place, the amount of holding, my holding, in Standard Oil of California that you mentioned is approximately correct. It might be a little larger than the figure you mentioned. It is far from being the second largest stockholder. There

are many stockholders that own very much—very much more stock in Standard Oil of California than that figure.

I hold no stock in the Standard Oil of New Jersey.

Quite aside, my opinion is that the holding of stock in an oil company or in several oil companies would have no effect whatsoever on my activities as Director of Central Intelligence, and my responsibilities for the gathering and correlation and dissemination of intelligence in any area of the world.

Senator SMITH. Mr. Chairman, there are some questions in my mind about the allegations that have appeared in the newspapers about Mr. McCone's relationship with the Kaiser Co. and the aircraft production contract obtained by the Kaiser Co. at three or four times the cost charged by the then existing producer, the Fairchild Co., but I will defer to Senator Beall as Fairchild is in his home State.

That is all I have.

Chairman RUSSELL. Senator Jackson.

Senator JACKSON. Mr. Chairman, I am sorry I had to leave early, so I missed some of the questioning.

I would like to make the observation that, as a member of the Joint Committee on Atomic Energy, I have had the opportunity to see and know of the work of Mr. McCone as Chairman of the Atomic Energy Commission.

I must say that, looking at the record, as I try now to do impartially, Mr. McCone demonstrated at all times in his relations with our committee a forthrightness and candor in keeping us currently informed as required by the Atomic Energy Act.

Mr. McCone is, as people realize, a very able businessman and a very able business administrator. I should add further that Mr. McCone has been rather prophetic in his stand on various issues relating to national security. I know this, of course, of my own personal knowledge in connection with the work of the committee. He has demonstrated an inner toughness that is essential to doing that job and this job. He took stands in connection with his work as Chairman of the Atomic Energy Commission that were not always in accord with the views of the people in his own administration. I must say that I found a high degree of intellectual honesty in connection with the work that he was engaged in as Chairman of the Atomic Energy Commission.

I know that the problem of conflict of interest is a difficult one. We have some statutes on the books that have been there for a hundred years. In dealing with the problems that we face today they sometimes make it very difficult for the Government to get the people in Government that we sorely need and will need for many years to come.

I have always been of the opinion that the real test in the long run is whether a person is honest and whether he is forthright. If a man is a crook he can divest himself of all of his stock, and he still is a crook.

Based on what I had an opportunity to observe during the time Mr. McCone served as Atomic Energy Commission Chairman, he seemed to me to meet the standards that, I think, apply to this most sensitive position.

The question was asked by Senator Smith, and I simply want to ask it again, can you think of anything in connection with your present interests that would in anywise make it difficult for you to collect

the information impartially and to make a judgment based on that information?

Mr. McCONE. None whatsoever, Senator Jackson. I feel that my interests are such that they present me with no conflict of interest or that they would have no weight at all with me in any judgments I would make.

Senator SALTONSTALL. A little louder

Mr. McCONE. They would have no weight on me or influence on me in any judgments that I would make.

Senator JACKSON. Now, in connection with the States Marine matter that has been in the newspapers, too, as I understand it, you had nothing to do with the procurement of that contract prior to your becoming Chairman of the Atomic Energy Commission?

Mr. McCONE. No, none whatsoever. I had no interest, have never had an interest, in States Marine Lines, who was the company that was awarded the contract to operate the *Savannah*.

I did have some, and still do have, some interests with the owners of States Marine Lines who operate through a series of companies, like most shipping companies do. So you might say in that way I have a relationship with the owners of the States Marine Lines, but no direct interest.

But behind all of that is the fact that—two points which must be borne in mind, since this matter has appeared in the press, quite unfairly, I might add—one was that this contract was awarded before I was made a member of the Commission, and furthermore, the Commission had nothing to do with it except at the staff level they offered no dissent to the award of the contract to States Marine, and this, I am told, was done on the 6th of June.

Senator JACKSON. So you had no connection with this directly or indirectly?

Mr. McCONE. I had no connection with it at all.

Senator JACKSON. That is all.

Chairman RUSSELL. Senator Thurmond has another meeting in a very short time, at which he not only represents himself but the chairman of this committee. I appreciate Senator Case's being gracious enough to give him an opportunity to ask his questions now. Senator Thurmond:

Senator THURMOND. Thank you, Mr. Chairman. I wish to express my appreciation to the Senator from South Dakota, too, for his courtesy.

Mr. Chairman, I have but a few questions, but I want to make some comments on this nomination.

I have not had the opportunity of knowing Mr. McCone well, only through reputation, but in looking over this biography, to me it epitomizes what has made America great.

We have here a man who went to the public schools, and then he attended college and received a degree.

I was interested to learn that he began as a riveter in the boiler shop of an ironworks. Then he became a surveyor with construction gangs, then a foreman of its steel erector crews.

Then when the firm he was with was merged with others, he joined the new firm, and served in various executive positions.

Then he left that business to join another concern, and this firm was later renamed the Bechtel-McCone Corp. It specialized in the

design, construction of petroleum refineries, processing plants, power-plants for installation throughout the United States, South America, and in the Persian Gulf area.

Then another step, at the outbreak of the war in Europe, with various business associates, he joined the Six Companies Group in forming the Seattle-Tacoma Ship Building Corp., and they built merchant ships first for the U.S. Maritime Commission, and later for the British Government.

Then another step, he assisted in the establishment of the California Ship Building Corp., served as its president and general manager of its Terminal Island shipyard out at Los Angeles.

It became one of the Nation's principal wartime shipyards for the construction of cargo vessels, tankers, and troop transports.

Then after World War II under Mr. McCone's leadership, his company took over the Joshua Hendy Iron Works in California, producers of heavy machinery and equipment such as ship propulsion units, reduction gears, and reclamation equipment, and under his presidency this company redirected its efforts to oversea shipping, particularly the ore-carrying trade in South America, and through its Pacific tankers division, the operation of a fleet of oil tankers in the Pacific.

Then in 1945 another step, he and his associates formed the Pacific Far East Line for cargo trade with Japan, the Philippines, and China.

Now, this gentleman has served the boards of these various enterprises: Curtiss-Wright Corp.; Crocker-Wheeler Electrical Manufacturing Co.; California Bank of Los Angeles; Pacific Mutual Life Insurance Co.; Industrial Indemnity Co.; Standard Oil Co. of California; Western Banking Corp.; Founders Fire & Marine Insurance Co.; and Trans World Airlines.

Mr. Chairman, I don't think I have ever seen a biography of a person who has shown a more steady growth in his life than this gentleman. Starting as a riveter in a boiler shop, and he has risen to be president of tremendous corporations engaged in national defense work, which helped us to win World War II; then he has become a director for some of the leading corporations and companies of these United States. I just wanted to comment on that.

Then, this gentleman has not only made a success and met payrolls and had practical experience which, I think, is so valuable to anyone who serves in a position of Government and in a position that he is going to serve in now, his executive experience, his work all the way up the line, will be of tremendous benefit to him. His work as an employee, his work as an employer, his work as president of his company, will all be of great benefit to him.

But he has taken time out to serve our Government. His ability, his character, have been recognized not by just one administration, a partisan administration, but by several administrations.

In the fall of 1947 he was appointed by President Truman as a member of the President's Air Policy Commission. Then from March to November 1948 he served as Special Deputy to the Secretary of Defense Forrestal, and in May 1950 he was appointed Under Secretary of the Air Force, and I might say that when he left the Government then he was presented with a very high medal for exceptional civilian service. He was given the Exceptional Civilian Service Award which cited him for his part in the doubling of American military aircraft production during that critical year of the Korean war.

Then when President Eisenhower came in, Mr. McCone served in his administration. In 1954 he was a member of Secretary of State Dulles' Public Committee on Personnel; on the 6th of June 1958, President Eisenhower nominated him for a 5-year term as a member of the U.S. Atomic Energy Commission, one of the most vital and important commissions in our Government, one of the most sensitive, one requiring, I think, the utmost of confidence in an individual.

The Senate has already acted on his qualities and his character and his ability to fill a position when they confirmed him on the 14th of July 1958 or I should say on the 9th of July. On the 14th of July I believe he became Chairman of the Commission.

This gentleman has not only made a success of his own business and demonstrated his outstanding ability and his character in private life and in Government but he has given considerable time to civic, philanthropic, and educational activities. He has been a director of the Stanford Research Institute, a trustee of the California Institute of Technology, a regent of the Loyola University. In 1955 Pope Pius XII made Mr. McCone a Knight of St. Gregory.

In 1956 he awarded him the Grand Cross of the Order of St. Sylvester.

In March 1956 he served as President Eisenhower's personal representative to the Vatican at the Pope's 80th birthday celebration, and he, with Secretary of State Dulles and Mrs. Clare Boothe Luce, represented the President at the funeral of Pope Pius XII.

He has been honored by many institutions with honorary degrees, including the University of California, Notre Dame, Fordham, Clarkson College of Technology, and Catholic University of America.

Mr. Chairman, as I said a few moments ago, to me a record like that is just almost unsurpassed, and I cannot imagine any Member of the Senate thinking of casting his vote against a great American like this, a man who has demonstrated character, ability, energy, industry, enthusiasm, stirred up public service, and all of the fine things for which this country stands in the way of serving and civic and educational and philanthropic and other activities for the good of the country.

I do not have any questions. I just want to make those comments because, it seems to me, that we are very fortunate to have a man like this to accept this position.

I predict that with Mr. McCone as the Director the CIA will be made the most effective instrument of Government that it has ever been since it was founded.

I predict that under his administration great service will be rendered to our country. I congratulate the President of the United States, President Kennedy, for appointing this gentleman, and I am delighted that he has agreed to serve.

I want to say further that there was some point made here about some complaint raised about his outspoken opposition to a nonpoliced moratorium on nuclear weapons testing and that he has publicly issued strong warnings of the danger to the United States if we did not resume testing.

I cannot imagine a sounder position one could take than he took on that issue, and he was in a position to know the danger to this country, and he was in a position to warn the people of this country.

I think he would have been negligent in his duty if he had not warned the people of the United States of the consequences of not

resuming testing. So far as I am concerned, Mr. McCone, I am very grateful that we have a man like you to serve in our Government. Thank you.

Chairman RUSSELL. Senator Case.

Senator CASE. Thank you, Mr. Chairman.

Mr. McCone, what I have heard about you and read about you all suggests to me that I covet for the Government and for the directorship of a CIA a man of your ability and a man of your wide knowledge.

I do have some questions I want to ask you, because I want to give you an opportunity to establish in whatever way you think it appropriate, in response to these questions, your objectivity in handling the matters that come up with CIA.

I realize that at one point in your statement this morning you said that you did not regard the Central Intelligence Agency as policymaking; is that correct?

Mr. McCONE. That is correct, Senator.

Senator CASE. But shortly after that you said that you proposed to name the Deputy to a position on the Board where he would become the advocate of the Agency's position.

What do you mean by having an advocate of the Agency's position if he is not to advocate the policy decision?

Mr. McCONE. I did not get the last part.

Senator CASE. What do you have in mind that the Deputy would do as "an advocate of the Agency's position," unless the Agency had a decision that bore on policymaking?

Mr. McCONE. Well, this had to do with the representation on the U.S. Intelligence Board. The U.S. Intelligence Board is a board composed of representatives of all components of the intelligence community, and they assemble once a week, and there they review all matters relating to intelligence and, quite naturally, there are differences in viewpoint, differences of emphasis on intelligence findings and reports on the part of the representatives of the various components, various members of the community.

Now, it is in the adjustment and the reconciliation of these different views that I wished, as Chairman of the Board, to be able to sit in a purely objective role, and to have as my Deputy, the Agency's representative on the Board so that he could explain to the Board and advance the arguments concerning the Agency's particular viewpoint on any issue if it differed from the viewpoint of other members of the community.

Senator CASE. When you referred to the Agency's viewpoint, do you mean its policy position or its evaluation of the intelligence?

Mr. McCONE. I mean its evaluation.

Senator CASE. Evaluation of the intelligence?

Mr. McCONE. That is right, and policies concerning intelligence undertakings and activities and the organization of the intelligence community.

Senator CASE. It seems to me that there in the last qualification you stated, you modified your earlier statement that the CIA was not policymaking. I was rather hoping that you would stay with the suggested interpretation that the Agency's position was one of evaluation of intelligence rather than the recommendation of a policy.

Mr. McCONE. I think, Senator, under what we are talking about is policy within the intelligence community versus policy of the Government itself. Quite naturally within a community as large as the

intelligence community, there are many policy matters relating to the operation of this community. But that has nothing to do with the basic policies in foreign affairs that are of concern to the President and Secretary of State and others.

Senator CASE. Well, for example, the timing of the U-2 flight, would that be in the policy area?

Mr. McCONE. Any such matter of that type, if it were ever to arise, would be a policy determined by higher authority.

Senator CASE. What about a decision, if it were made, in connection with the Battle of the Bay of Pigs to have or not to have air cover, followup, an effort of that sort; would that be policy?

Mr. McCONE. I think that is dealing in an area, Senator, on which I am not competent to answer because I was not here at the time, and it is a greatly debated question, and one in which there were varying viewpoints, and I do not think I am competent to answer that question or to answer your question against that example.

Senator CASE. Well, do you propose to set guidelines for members of your staff in matters of that kind? I do not know it as a matter of fact, but it certainly was suggested in many reviews in the press, that the decisions relating to our participation or our encouragement of the ill-fated invasion of Cuba were a step taken under the encouragement of the CIA.

Mr. McCONE. I cannot answer that question because I do not know the facts.

Senator CASE. My first area of interest, Mr. McCone, in connection with your activities, goes back a considerable time to when I was a Member of the House of Representatives, and had considerable to do with the establishment of what has come to be called the renegotiation statute. That was an amendment which I offered to the sixth supplemental defense appropriation bill in the House of Representatives on April 6, 1942.

We sought at that time, in establishing renegotiation, to provide a method whereby the Government could expedite its preparedness effort without waiting until a firm contract could be arranged, and also where a contract could be given to businesses, either where it had no cost experience in the item that was to be produced or where they might even start with Government tools or Government facilities and producing something.

We sought to provide a means whereby the final determination of costs could be made after an audit of the actual costs, and then the final payment based upon a determination of what would be a fair return.

In the hearings which were conducted by Schuyler Bland, who was chairman of the Committee on Merchant Marine and Fisheries at that time, an exhibit was submitted to Chairman Bland from the U.S. Maritime Commission which indicated that with a capital investment of \$600,000 the California Shipbuilding Corp. made an estimated profit of \$44 million; that it had used facilities supplied by the Government with a valuation in excess of \$25 million.

Further, the testimony before the Bland committee at that time indicated that the Comptroller General's representative, Mr. Ralph Casey, said that some of the selected price contracts were exempted from renegotiation by the Commission, the Maritime Commission, and its Chairman under authority conferred by the Renegotiation Act

on the basis that profits can be determined with reasonable certainty when the contract price is fixed.

Now, I am sure that I speak advisedly when I say that at the time the Renegotiation Act was passed that it was never intended that a determination by a procurement agency could waive the operation of renegotiation. Any waiver of renegotiation or any acceptance of a fixed-price contract in lieu of it, would have had to have been on the recommendation or an action by the Price Adjustment Board. But apparently in the California ship operations, some were exempted and apparently it became possible for a group with which you were associated, with a basic investment of \$100,000 to make profits of over \$44 million in the space of a couple of years more or less.

Is that a fair statement?

Mr. McCONE. No, I do not think it is, Mr. Senator. If I could just recall, and now I am speaking from events of now 16 years ago, and I have only glanced through this report of the hearings, my attention being directed toward them because of what I consider an erroneous article which appeared in the newspaper—

Senator CASE. If the article is erroneous, this is a good opportunity for you to put in the record the facts as you recall them.

Mr. McCONE. I think all of the statements that you made appear in one way or another in the transcript. However, if you would refer to my testimony, which was under oath, you will see that the facts were somewhat different than those statements. That I and my associates provided not \$100,000 or \$600,000, but about \$3.3 million, as I recall, in stock or subordinated loans which were considered by the Maritime Commission to be the equivalent of stock because they were subordinated to all obligations of the venture, and in addition we provided bank credits for which we were responsible, amounting to some \$4 million, I believe.

So there was quite a substantial exposure on the part of the stockholders.

With respect to the \$44 million, I have never been able to quite reconcile that, although the fees were very substantial, and the reason that they were substantial is that they were set on a uniform basis by the Maritime Commission for all yards, large and small, and the California Ship, being one of the largest yards, delivered the most ships, and received the most in gross fees, although not a figure—a figure considerably less than that. But that figure does not take into account the fact that there must be deducted, first several million dollars in nonreimbursed costs of the type that accumulate in a venture of that kind, and which are not admissible for reimbursement, and I think that figure was something in the order of \$4 million.

Then, of course, all of the contracts except those that you referred to were subject to renegotiation, and were renegotiated, and that is not taken into account in the figure that was mentioned, and that reduced the gross income by some amount the details of which I do not recall.

The contracts that were exempt, as you mentioned, was by a decision of the Maritime Administration, not by the California Ship Building Corp., and if there was any violation of the intent of the Congress, it was on the part of the Government agency involved, rather than the contractor.

Finally, of course, there was a 95 percent income tax, and when that was all taken into account, the profits over the 4½ year period, rather

than 2 years or less, were, while important, were not large in the order of magnitude of figures that you mentioned.

I am very glad that you brought this matter up because I am happy for an opportunity to speak on it.

I do want to also point out that this Government was faced with an enormous requirement for ships far beyond the capacity of the existing shipyards, and what was done was to employ engineering firms such as mine to go out on a management basis and design and build shipyards, to assemble and train the organization, and produce the ships, and when it was all over in 1945, the particular yard that I was interested in was dismantled and the property returned to the city of Los Angeles.

Senator CASE. Mr. Chairman, I am going to make some references to this hearing of Judge Bland's and I should like—I do not want to take any advantage of the fact that I have the hearings in front of me and Mr. McCone may not. If he wants to supplement any of his answers in the record, I personally would have no objection to his doing it. I do not know what the views of the committee would be about it, but with respect to some of the statements that he has made—

Chairman RUSSELL. Let us get this cleared up while we are at it. If Mr. McCone, after refreshing his recollection and seeing this document that you have there, wishes to add anything to what he has said, why, it can appear as an addendum, but I do not want it to appear as testimony given at the committee. You have that privilege.

Senator CASE. This is from the hearings before the Committee on the Merchant Marine and Fisheries, House of Representatives, 79th Congress, 2d session, pursuant to the authority of House Resolution 38. The dates are September 23, 24, 25 and 26, 1946.

On page 10 of these hearings in the testimony of Ralph E. Casey, representative of the General Accounting Office appears this statement:

In many cases there was nothing the General Accounting Office could do in such a situation in view of the broad authority under which the Commission was operating during the war period. However, the Comptroller General did hold that in his opinion there was no authority of law for converting a cost plus a fixed-fee contract to a lump-sum contract after all the work had been performed and where nothing remained but payment of the amount due. Under date of April 18, 1945 he (the Comptroller General) advised the Chairman of the Maritime Commission as follows:

"Accordingly, you are advised that any conversion of cost type contracts into fixed price contracts upon completion of the work and before final payment has been made will not be recognized by this office insofar as such conversions purport to limit the evidence which the contractor will be required to furnish in support of vouchers covering payment under such contracts, and that unless the vouchers covering reimbursement to contractors are supported by evidence such as will enable this office to make a satisfactory audit thereof, credit for any such payments will be withheld in the accounts of the accountable offices concerned."

It seems, without going into too much detail, that what happened here to avoid the application of the renegotiation statute was that prior to the final settlement, to convert cost-plus contracts into fixed-price contracts and to have the opinion of the head of the Maritime Commission that because they tendered in that kind of a contract it was not subject to renegotiation, and Mr. Casey, in his presentation to the committee, went on to say:

I daresay that at no time in the history of American business, whether in war time or in peacetime, have so few men made so much money with so little risk

and all at the expense of the taxpayers not only of this generation but of generations to come.

In connection with the hearings, there was submitted as exhibit 1 a letter from Mr. W. W. Smith, Chairman, to Hon. S. O. Bland, House of Representatives, who was then chairman of the committee, an exhibit A which gave the fees of shipyard contractors in relation to their capital investment.

Under ship construction contracts with the U.S. Maritime Commission as of June 30, 1946, and that lists the California Ship Building Corp. as using facilities that cost \$25,213,177; capital investment of shipyard operator, \$600,000; estimated profits, \$44,423,014.

Now, during the testimony of Mr. McCone, on page 212 of the hearings, there appears this in the record:

Mr. BRADLEY. Mr. McCone, the question I want to ask has to do with your capitalization. This sheet which we had submitted to us by the Maritime Commission showed a capitalization of \$600,000 as capital investment of shipyard operator, and I understood this morning that by various figures which you had recited due to stockholders' loans and so forth, you eventually boosted that up to \$3,300,000. I wonder if you would go over it again and explain it to me.

Mr. McCONE. Yes, I will do that. In the first place, there was a stipulation to the original contract.

Mr. BRADLEY. To which contract do you refer?

Mr. McCONE. The original contracts between the California Ship Building Corp. and the Maritime Commission; that the corporation should be provided with \$800,000 of capital subscribed either as stock or as stockholders' loans subordinated to all obligations of the corporation.

Mr. BRADLEY. That is over and above the original \$600,000?

Mr. McCONE. No. I am not now commenting on the contractual obligations. Mr. BRADLEY. But I mean you organized originally with a capital stock of \$600,000; is that correct?

Mr. McCONE. No, that is not correct, sir. We organized originally in this way: We subscribed \$100,000 as capital stock, and we subscribed \$700,000 of subordinated stockholders' loans which were subordinated to all obligations of the corporation, including its obligations to the Maritime Commission.

Mr. BRADLEY. Now, on the books of the State of California—are you incorporated under the laws of California?

Mr. McCONE. No; the laws of Delaware.

Mr. BRADLEY. What does your structure show there as to the capitalization of the California Ship Building Co.? Does it show \$100,000 or what?

Mr. McCONE. Originally it showed \$100,000 subscribed, \$100,000 of no par stock subscribed. It shows \$600,000 of no par stock now.

Mr. BRADLEY. Well, now, where did the \$600,000 come from? Is that a \$500,000 stock dividend?

Mr. McCONE. After subscribing the \$100,000 of stock and the \$700,000 of subordinated loans and about a year later, when the Todd Shipyards Corp. retired, we declared a dividend of \$1 million, 50 percent of which was paid in cash to the retiring stockholder, who owned 50 percent of the stock, incidentally.

Mr. BRADLEY. In other words, he got \$500,000 for his initial investment of \$50,000?

Mr. McCONE. That is correct.

Mr. BRADLEY. A 10-to-1 dividend. That is a pretty good dividend.

Mr. McCONE. That is right. Then the other 50 percent was paid in the form of a stock dividend, thereby increasing the stock from \$100,000 to \$600,000.

Mr. BRADLEY. Everybody got a 10-to-1 cut in the dividends when the lemon was cut up?

Mr. McCONE. It is not correct to say it was a 10 to 1, because of the subordinated loans of \$700,000 being, in effect, equity capital, because they were subordinated to all obligations of the corporation and have the same status as stock.

My interpretation of that, as I read it, was that \$1 million was declared as a dividend, for which there had been originally \$100,000 invested, possibly \$700,000 in subordinated loans, but that the \$1 million in dividends was distributed so that half of it went to increase

the stock from \$100,000 to \$600,000, and the other \$500,000 was paid in cash.

In any event, that was the way in which apparently California Ship Corp. established the profits which led to the building of a considerable empire in the maritime industry.

During your interrogation by Senator Smith I understood you to say that you had no direct interest in States Marine?

Mr. McCONE. That is correct.

Senator CASE. You had an indirect interest?

Mr. McCONE. No. I explained the interest. I had no indirect, direct or indirect, interest in States Marine. I had an interest in other ventures which were with some of the owners of States Marine.

Senator SYMINGTON. Will the Senator yield?

Senator CASE. Is it pertinent to this?

Senator SYMINGTON. Yes.

Senator CASE. All right.

Senator SYMINGTON. What is the problem, is it excess profits? Is it lack of integrity? What is the Senator attempting to bring out?

Senator CASE. I hope, if the Senator will follow the questioning, he will get clearly just exactly what I am driving at.

I started out by saying that I coveted for the Government one who had the ability that Mr. McCone has. I wanted to establish if we could expect an objectivity in his administration of CIA which would permit him to exercise on behalf of the Government as Director of CIA the unquestioned ability that he has.

Senator SYMINGTON. Will the Senator yield for one more question?

Senator CASE. Ycs.

Senator SYMINGTON. All he is trying to know at the time—

Senator CASE. The Senator is not asking questions but getting into an argument.

Senator SYMINGTON. I plan asking a question. Weren't these facts known at the time Mr. McCone was approved unanimously by the Senate in 1950 and unanimously by the Senate in 1958, one under a Democratic administration and one under a Republican administration? Isn't that a fair question?

Senator CASE. I think it is a fair question, and the record will show that. But Mr. McCone has already testified that he does not have in trust or irrevocable trust, the business interests which he testified before the Atomic Energy Committee that he was placing in trust at the time that he was confirmed for the Atomic Energy Commission, and at page 50 of the hearings before the Senate section of the Joint Committee on Atomic Energy, July 2, 1958, Mr. McCone testified as follows:

Gentlemen, in anticipation of my appearance here today, Senator Anderson has requested a statement of all my financial holdings, business activities, and affiliations for incorporation into the record of this committee. This statement has been furnished and includes both the direct and indirect holdings of my own or my wife, Mrs. Rosemary McCone. Section 22 of the Atomic Energy Act of 1946, as amended, requires that no member of the Commission shall engage in any business, vocation or employment other than that of serving as a member of the Commission.

And then Mr. McCone went on to say:

If appointed to the Atomic Energy Commission, I will devote myself exclusively to the affairs of the Commission, and during my term of office will not engage in any business, occupation or profession.

Now, it was upon that testimony and on that basis that the Joint Atomic Energy Commission recommended confirmation of Mr. McCone in 1958, and it was upon that basis that the Senators voted for him.

We do not have a requirement for the Director of CIA that requires that he shall not engage in any business, vocation or employment other than that of serving as a member of the agency, but to make the same observation I made this morning, the chairman stated, very appropriately, I thought, that the directorship of the CIA carried with it responsibilities second only to that of the President of the United States, and it would seem to me that we should have as good an assurance of the objectivity of a man, with his undoubted ability, to apply to the duties of this office as the Joint Committee on Atomic Energy and the Senate had in his appointment to the head of the Atomic Energy Commission.

Now, Mr. McCone, do you have an interest in or who is the owner of Global Bulk?

Mr. McCONE. I do not know exactly. I know that Mr. Mercer and others interested in States Marine are interested in Global Bulk, but I do not know who all the owners are. I have no interest in this Global Bulk.

Senator CASE. You have no interest in it, direct or indirect?

Mr. McCONE. I have no interest in it, direct or indirect.

Senator CASE. Former Senator Ball, who is now vice president of the States Marine Shipping Lines testified before the Maritime Commission that the Sequoia Corp. is owned 50 percent by Trans-World Carriers, 50 percent by Kayser Aluminum, and according to information on file at the Maritime Commission, Trans-World Carriers, in turn, is owned 50 percent by Global Bulk and 25 percent by Joshua Hendy, with another 25 percent by the San Marino Corp. of Panama.

You have testified that you were the sole owner of Joshua Hendy in the operations of Trans-World Carriers, of which Joshua Hendy apparently owns one-fourth, and Global Bulk one-half. Would you say you had no indirect interest in the operation of Trans-World Carriers?

Mr. McCONE. No; I have a direct interest in Trans-World Carriers, no question about that. Because, as a matter of record, and this is a change from the situation that existed in 1958, I have personally acquired and own now the great majority of the stock in San Marino Corp. and, therefore, through the sole ownership of Joshua Hendy Corp. and the ownership of 85 percent of San Marino Corp., I own practically half of Trans-World Carriers at this point.

Senator CASE. Isn't it a fact that Global Bulk is wholly owned by States Marine?

Mr. McCONE. I do not know that. I know that some of the States Marine owners, Mr. Mercer, particularly, are interested in Global Bulk, but whether there are others that are interested or not, I do not know.

Senator CASE. Do you know of any working arrangements or partnerships between the Joshua Hendy Steamship Line or its affiliate, Panama Pacific Tankers, and affiliates or subsidiaries of States Marine?

Mr. McCONE. Yes. There are joint arrangements—whether they are with States Marine or whether they are with Global Bulk Carriers,

I could not say, but it is a little hard to differentiate between the two or three corporate structures on States Marine side.

Senator CASE. Do you know whether or not there is a working agreement between States Marine and Global Bulk and the San Marino Co. for the chartering of certain ships through Naviors, a subsidiary of United States Steel?

Mr. McCONE. Yes, I believe there is a working relationship; the relationship between Trans-World Carriers and Naviors and Trans-World Carriers is, in turn, owned by the people you have indicated.

Senator CASE. You have a partnership with States Marine directly or through a subsidiary in the operation of any Norwegian flag tankers built in Japan for Trans-World?

Mr. McCONE. Yes, we do that. We have a tanker that we own jointly that was built in Japan and registered under a Norwegian flag, and we have it under charter from a Norwegian corporation.

Senator CASE. Do you recall the name of that ship?

Mr. McCONE. I was trying to think of it. No, I do not recall it, Senator.

Senator CASE. Is that vessel engaged in transporting oil?

Mr. McCONE. Transporting oil; yes, sir.

Senator CASE. For Standard Oil of California?

Mr. McCONE. For Standard Oil of California; yes, sir.

Senator CASE. Why is it necessary to have complicated arrangements where you build vessels in Germany or Japan, and then leased to Norwegian operators to fly under Panamanian or Norwegian flags rather than U.S. flags?

Mr. McCONE. The vessels are owned by Norwegian companies and they are operated under Norwegian flags, and that is the only way that they could be competitive because of the high costs of American-flag operations.

Our American-flag operations are restricted to the protected areas of trade such as the coastwise and intercoastal trade.

Senator CASE. Do you know where the principal oil reserves of Standard Oil of California are?

Mr. McCONE. In a general way, yes, I do, Senator. I know they have extensive reserves in Arabia and in the offshore island in the Persian Gulf of Bahrein, and also extensive reserves in Sumatra, and in Venezuela.

Senator CASE. Would the fact that you are a stockholder in Standard of California or that some of the ships in your shipping enterprises and affiliated interests are engaged in carrying oil for Standard of California, prejudice any decision you might be called upon to make as to the emphasis of CIA operations as between a situation in the Gulf of Mexico or near Venezuela as compared with a situation in the Middle East?

Mr. McCONE. None whatsoever, in my opinion.

Senator CASE. Now to this operation of *Savannah*. Isn't it correct that your nomination by President Eisenhower for the Chairmanship of the Atomic Energy Commission came or was made on the 6th of June 1958?

Mr. McCONE. It was announced on that day, yes.

Senator CASE. I suppose it had been discussed some in advance of that, that is, you probably had been apprised of consideration for that before then?

Mr. McCONE. With the President, yes.

SENATOR CASE. Is it purely coincidence that that was the date on which the Maritime Board revised its list of best-qualified companies for the selection of an operator for the *Savannah*?

MR. McCONE. Yes, I think it is pure coincidence, because I had no knowledge of it at all.

SENATOR CASE. I wanted to give you an opportunity to get that on the record, if that is the fact, and I will ask you an even more direct question so that you can put it in the record as you want. Did you at any time discuss the operation of the *Savannah* with President Eisenhower or the then Secretary of Commerce or the Under Secretary of Commerce, Lewis Rothschild?

MR. McCONE. No, at no time.

SENATOR CASE. This morning when we touched on this question of filing a statement of interests, ownership, and official connection, if I remember correctly you stated that you have no objection to establishing the same kind of an irrevocable trust for your holdings during the time that you might be Director of CIA that you did at the time you went on the Atomic Energy Commission or became its Chairman.

Now, if I misstated your position, I want you to correct it, but if that is a correct recollection of what you said, by direct question now I will ask you would you be willing to submit a list of those holdings to the subcommittee, and I am not on the subcommittee, but to the subcommittee of which the chairman has designated members for that purpose in connection with secretaryships in the Department of Defense, and with respect to these holdings establish the same trust that you did in connection with your holdings at the time you went on the Atomic Energy Commission?

MR. McCONE. Well, I would be perfectly willing to submit to the chairman or to anyone he would designate a list of my holdings for review, and I could do that as promptly as I could assemble them.

I see no—I have no objection to the establishing of an irrevocable trust if there is reason to do so. I felt the peculiar wording and restrictions of the Atomic Energy Act made it advisable to establish that trust at that time. I do not think that situation is existent in connection with this office.

SENATOR CASE. Of course, that is the act of 1946, I believe, which established that, and it was not a 100-year-old statute in that connection. It may be a 100-year-old statute with respect to defense officials, but the Atomic Energy Act was 1946, I believe.

MR. McCONE. I think so.

SENATOR CASE. Thank you very much, Mr. McCone.

Thank you, Mr. Chairman.

CHAIRMAN RUSSELL. Mr. McCone, do you own any stock holdings in any airplane manufacturing company?

MR. McCONE. No, sir.

CHAIRMAN RUSSELL. Senator Bartlett.

SENATOR BARTLETT. Mr. McCone, do you happen to know where States Marine has its headquarters?

MR. McCONE. In New York.

SENATOR BARTLETT. Joshua Hendy is exclusively engaged, Mr. McCone, in the shipping business?

MR. McCONE. That is correct.

SENATOR BARTLETT. And principally in carrying ore to the South American trade and operating a fleet of oil tankers?

Mr. McCONE. No. It has, in addition, a coastwise and intercoastal trade in which—principally in the movement of chemicals.

Senator BARTLETT. Under what name?

Mr. McCONE. Joshua Hendy.

Senator BARTLETT. How many ships are engaged in the intercoastal trade?

Mr. McCONE. Three or four.

Senator BARTLETT. I believe you said, Mr. McCone, that U.S.-flag tankers cannot compete other than in the intra- and inter-coastal trade. Is this a literally correct statement?

Mr. McCONE. I think it is correct, yes. The differential in costs between the American-flag operation and a foreign-flag operation is very large.

Senator BARTLETT. So U.S.-flag tankers only carry oil from one American point to another?

Mr. McCONE. Very, very few American-flag tankers are ore carriers and operate in the offshore trade for competitive reasons.

Senator BARTLETT. It is my recollection that you informed Senator Smith that her information about the dollar value of your holdings of Standard Oil of California may have been on the conservative side, but that her statement to the effect that you are the second largest individual stockholder in that company is erroneous because there are several others who are larger stockholders?

Mr. McCONE. Yes. I imagine there would be a great many. My holdings are rather nominal as compared with some accumulations of stock of that or other major oil companies.

Senator BARTLETT. I am glad for the addition.

Mr. McCONE, do you know if Standard Oil of California is a member of the Arabian-American Oil Co.?

Mr. McCONE. Yes, it is.

Senator BARTLETT. And, of course, all of us have heard that this company, operating in the Middle East, has at various times intervened or participated or interfered, whatever word should properly be applied, in the operations of governments in those areas and, so far as I know, these are merely allegations, but they have been printed and discussed. Would you have any comment to make upon that situation?

Mr. McCONE. No, I would have no comment because I have not personally read or heard of those allegations. In my trips to the Middle East, I have observed that the Aramco people handled their relationship with the Governments of Arabia and Bahrain Island in a very satisfactory way, so reported to me. I don't know of any interference.

Senator BARTLETT. There are five companies in the American-Iranian Oil Co.?

Mr. McCONE. I think there are four. I think Aramco is composed of Standard of California and Texas Co., who originated the venture, and have been joined by Standard of Jersey and Mobil Oil.

Senator BARTLETT. And of these four companies, you hold stock in—

Mr. McCONE. In Standard of California only.

Senator BARTLETT. Only?

Mr. McCONE. Yes.

Senator BARTLETT. Mr. McCone, as was the case with Senator Jackson, I, to my own disappointment, was required to leave the

committee room about the time that Senator Symington started to question you, and so a couple of questions here I would like to put to you may be repetitive, and I hope you will bear with me.

I should like to refer especially to the sixth and last question submitted by Senator McCarthy in the statement which he presented this morning, that question being this:

What are the facts with regard to the charge of the nominee's attempt to have the scientists fired at the California Institute of Technology?

Mr. McCONE. Senator, as I explained this morning, my communication with the scientists at the California Institute of Technology over the incident with which you are familiar was directly with them, not with the university or not with them through the university.

The letter which I wrote was addressed to Dr. Lauritsen and his reply was directed to me, and my file copy of the letter does not indicate that copies of the letter were sent to either the board of trustees or the president of the university. So there was no official transmission to the board of trustees of my communication.

I preferred then to take the matter up directly with Dr. Lauritsen and his group. I made no official request to the board of trustees to fire anybody, and none were fired, to my knowledge.

Senator BARTLETT. May I pursue that one step further. Did you make any unofficial request?

Mr. McCONE. No, I made no unofficial request. I would be less than frank with you if I did not say that there were a few people that knew that I was quite annoyed and disturbed at the position that had been taken by them.

But I made no official or unofficial request that they be discharged.

Senator BARTLETT. You expressed and voiced your displeasure but did not try to cause them to lose their jobs?

Mr. McCONE. That is right.

Senator BARTLETT. Now on page 8 of Senator McCarthy's statement reference is made to that letter you wrote to Dr. Lauritsen, October 15, 1956, in which you state that:

"The National Academy of Sciences has issued a report this year completely discounting such danger." And "such danger" has to do with the radioactive fallout from H-bomb tests.

Do you know, Mr. McCone, if the National Academy of Sciences has changed its views relating to this since then?

Mr. McCONE. I do not know of any official statement. They put out a report in the spring of 1958 that dealt with the question of the genetic and other effects from radioactive fallout resulting from reference to testing, and, as I recall the report, it tended to minimize the effects at the level of radiation, at the then existing level of radiation or the level to be expected from the tests that had taken place or might be expected if tests were continued at about that level.

Senator BARTLETT. That is only the tests?

Mr. McCONE. It relates only to tests, yes, as I recall it.

Now bear in mind—

Senator BARTLETT. Five years ago, I understand.

Mr. McCONE. Of course, this subject has been reviewed and re-reviewed many times, as Senator Jackson knows, and there are wide differences of opinion among scientists, and sincere differences of opinion, concerning the effects of radioactive fallout.

Senator BARTLETT. But there is no difference of opinion, is there, among scientists as to the dangers that would be inherent in radioactive fallout in case one of these bombs was to be dropped on any nation?

Mr. McCONE. No, I think there is pretty general agreement that there will result an area of intense radioactivity which would be lethal, and the extent of that area is dependent upon the atmospheric conditions and the wind and all the rest.

But there is no difference of opinion among scientists as to the fact that there would be serious radioactive consequences from an atomic exchange.

Senator JACKSON. Would the Senator yield for a moment? I have to go to the Atomic Energy Committee.

Senator Stennis asked me, Mr. Chairman, who is unavoidably detained at a meeting, to state that he is sorry he cannot be here for the afternoon and that he wanted the record to show that he supports Mr. McCone's nomination.

Excuse me.

Senator BARTLETT. Fine enough.

Now, Mr. McCone—

Chairman RUSSELL. Let me say, if you will pardon me, Senator Bartlett, that if we conclude all of the examination—I am not going to cut anybody off, nor will we muzzle Mr. McCone in any statement he desires to make—if we can conclude the evidence this afternoon, I hope that we may vote on these nominations today.

If we cannot, we will vote on them at some later time.

Senator JACKSON. Mr. Chairman, I just want to get away for a little bit. We have General Lemnitzer over in connection with atomic weapons testing, and I feel I should go for just a little bit, and I will be back.

Chairman RUSSELL. Thank you, Senator.

You may proceed.

Senator BARTLETT. When Senator Smith was engaging in colloquy with you, Mr. McCone, she put these words to you, and I quote:

It has been alleged to me that the CIA has or is supporting the political activities of certain ethnic groups in this country such as the Polish and Hungarian groups. Is this true? What comment do you have on this allegation?

That was the conclusion of Senator Smith's questions there, and your reply was that you had no comment to make. Later on, I believe that you said that the basic purpose of the CIA is to collect intelligence data, and to carry out other responsibilities imposed upon it, the Agency, under the act.

I would like to ask you this question.

Whether or not you would care to comment on it is up to you, of course.

Would those other responsibilities to which you referred include an activity, would those responsibilities possibly include an activity of the nature referred to by Senator Smith?

Mr. McCONE. I think in the activities of the Agency, and without confining it to this particular question of Senator Smith, I think I would feel compelled to act under the direction of the President in assisting, to the extent the Agency is competent, in carrying out his program of conducting affairs in the best interests of this country.

I think I would pursue that so long as I felt that it did not involve a violation, a clear violation of my oath of office, which is to uphold the Constitution. If a conflict arose with respect to that oath of office, naturally, I would have to refuse or resign.

Senator BARTLETT. I want to be sure, Mr. McCone—thank you for that very helpful statement—additionally, I want to be sure that I understand you absolutely there. As I gather from what you said, in an activity of this kind, if it were to be undertaken, this would be a policy determined not by the CIA, but by higher authority?

Mr. McCONE. Naturally, it would have to be determined by others. Senator BARTLETT. That is all, Mr. Chairman.

Chairman RUSSELL. As a matter of national policy, and speaking as a citizen and not as a nominee for this position, Mr. McCone, do you see anything immoral or wrong about any agency of this Government undertaking to encourage ethnic groups in this country that have brethren behind the Iron Curtain to look at matters from the standpoint of this country rather than of the Soviet Union?

Mr. McCONE. No, sir; I do not. I think it very important and I think it becomes increasingly important as we realize how energetic the Communists are in trying to influence the ethnic groups and labor groups and student groups throughout the world in indoctrinating them and capturing them into the Communist orbit.

Chairman RUSSELL. Our enemies are certainly trying to seek to destroy us in every possible way, appealing to all ethnic groups in any way they can get their hands on them. I do not see any reason why we should have our hands tied.

Senator Bush?

Senator SALTONSTALL. Will the Senator yield? I would like just to supplement what the chairman has said. Is it not true, Mr. McCone, in your understanding of the CIA, that any work on the ethnic groups in this country would not be within the province of the CIA, in any event; am I correct in that?

Mr. McCONE. I cannot answer that, Senator.

Senator SALTONSTALL. Perhaps that should not be answered.

Senator BUSH. Mr. Chairman, I want to congratulate President Kennedy upon this nomination. I think it is one of the best that he has made, and I want to congratulate Mr. McCone upon being willing to accept this very heavy burden of responsibility.

It is a heavy burden, and it requires a man of great integrity and courage and trustworthiness and ability, demonstrated ability.

I know of my own knowledge of Mr. McCone that he is the man that possesses these qualities to a marked degree, and I take great comfort in this nomination for that reason.

Furthermore, I know him to be a deeply religious man and one who understands better than most, and I believe as well as any, the nature of the Communist menace with which we are faced. So I believe, Mr. Chairman, that he is in all respects which can be reasonably taken into account in connection with this kind of an appointment, that he is fully qualified and will give a wonderful account of himself in this new post with this great responsibility, which he will shortly assume.

I only have one or two questions, perhaps, Mr. McCone. There was some discussion this morning about the President's letter to you in which he referred to your Deputy whom he has designated to serve as

a member of the Board; later, that he would expect you to delegate to your principal deputy, as you may deem necessary, so much of the direction of the detailed operation of the Agency as may be required to permit you to carry out your primary task as Director of Central Intelligence.

My recollection is that General Cabell is the deputy at the present time.

Mr. McCONE. That is correct.

Senator BUSH. Am I correct in my recollection that he is resigning sometime in the near future?

Mr. McCONE. Yes, the 31st of January, he is retiring from service.

Senator BUSH. Will the selection of your deputy be one of your chief responsibilities?

Mr. McCONE. By law the appointment of the Deputy Director is a Presidential appointment, to be confirmed by the Senate.

Senator BUSH. So you will have the responsibility, then, of recommending the Deputy to the President, is that correct?

Mr. McCONE. I think I will have the privilege of recommending him.

Senator BUSH. Have the privilege?

Mr. McCONE. Yes.

Senator BUSH. I have observed that in the CIA either the Deputy or the Chairman has always been a high ranking military person. General Bedell Smith, I believe, was the Chairman of the CIA, himself, or the Director of the CIA, himself, but, otherwise, when we have had a civilian director, we have usually had a high ranking military officer there, which has always impressed me favorably.

Would you care to tell the committee whether you feel disposed to recommend the appointment of a military person for this job of Deputy or not?

Mr. McCONE. I think, first, because of the responsibilities that are going to be thrown on this man, for the reasons mentioned in this letter, which are greater perhaps than they have been in the past, we will want to search out the most competent and able man that we can get and who is willing to undertake the job, and it will be no easy job.

Now, if that is a military man, I think that would be a most satisfactory arrangement. There are a number of reasons for this.

In the first place, military men are usually well trained in administrative responsibilities, and this will be a big administrative task.

And, secondly, there is an intimate interrelationship between the Agency and the Military Establishment.

And, finally, by law, in the event of war, a very substantial section of the Agency goes into the military command. There is no requirement in the act that calls for a military man as the alternate to the Director. The act states that if the Director is a military man, then the Deputy must be a civilian, but it does not state the vice versa of that.

I would hope, in summary, I would first look over the available military officers to see if one might be available who had the competence and the qualifications for the job. That would be my preference.

Senator Bush. I have no other questions.

Chairman RUSSELL. I may say to you, Mr. McCone, for whatever it may be worth, I think it is highly desirable for a civilian to have

someone who has had training in military intelligence to assist him in this Agency.

If you can possibly get a military man that you can work with, I think what the act says is that if the Director be a military man, he should have a civilian Deputy. We have had military men directors on a great many occasions.

Admiral Hillenkoetter—I do not guarantee that pronunciation—was the Director for a long time and General Bedell Smith was required to have a civilian specifically, but I am sure we have military men who have the training and patriotism that would fit them into this position very well.

Senator BUSH. Mr. Chairman, I do not mean to interrupt, but I would like to add my own comment entirely in support of what you have just said on that, and to observe that I think it has been wonderful since I have been here, one of the things that has impressed me most has been the quality of our high ranking military men that come to the surface after 30 or more years of service in the military organizations.

I do not think we bring up in any walk of American life finer citizens, men of greater ability, versatility, dependability, patriotism, and so forth, than in the men that eventually come to the top in our services.

So I join the chairman in hoping that you will continue in the tradition, if it is that, and find a man in the services to be your deputy, in the military services.

Chairman RUSSELL. Senator CANNON?

Senator CANNON. Thank you, Mr. Chairman.

Mr. McCone, there was one point raised this morning that left some confusion in my mind, and I would like to correct the record on it.

When Senator McCarthy referred to a quotation of Hansen Baldwin in which he said, "It should be clear that intelligence is too important to be left to the unsupervised," I gathered the impression from the answer that actually the CIA was supervised by some agency, and I do not believe that is correct.

I wonder, would you care to state is there any agency that supervises, exercises supervisory control over the CIA?

Mr. McCONE. No, there is none. I am sorry if my response gave that impression. There is none.

Senator CANNON. I think that the inference was made that the National Security Council, perhaps, exercised some supervisory power, but they simply recommend, make recommendations to the President, is that correct?

Mr. McCONE. Yes. By law the Agency reports to the National Security Council, and the National Security Council takes a very considerable cognizance, it has in the past, over the operations of the Agency. But I wouldn't term it that that was supervisory. However, the point that I was making was that in many fields of our activities, our foreign activities, there is established and under this administration and the past, proper supervisory arrangements of an interdepartmental nature.

Senator CANNON. Now, Mr. McCone, you stated a few moments ago that you would feel obliged to follow the instructions and directions of the President, unless it was clearly in violation of your oath to support and defend the Constitution of the United States. Senator McCarthy raised the point on page 4 of his statement concerning the legal or constitutional justification for certain actions, and in that

connection I would like to ask you whether or not you feel that if the CIA were to interfere or to assist in the overthrow of the government of any foreign country, that would be a violation of your constitutional authority?

Mr. McCONE. Well, that is an answer, a rather difficult hypothetical question to answer, Senator. I think that there again it would really depend upon the actions that might be indicated in support of the President's foreign policies and desired by him and his determination to conduct this foreign policy to meet the best interests of the United States and our determined effort to fight back the intrusion of communism.

I would be inclined to support his efforts in this regard based on his Presidential prerogatives and his Presidential authority. It would have to be quite an extreme case, I should think, before I would feel that it was a violation of constitutional rights of the executive branch of the Government.

Senator CANNON. But certainly you would not feel that you had the authority to take any such actions without specific approval and direction of the President?

Mr. McCONE. Oh, that is correct.

Senator CANNON. And that short of that, your authority would be limited solely to the collection, evaluation and dissemination of intelligence-type data, intelligence type of information?

Mr. McCONE. That is correct.

Senator CANNON. I was concerned about Senator McCarthy's statement that the CIA takes the credit for the overthrow of Dr. Arbenz as President of Guatemala in 1954. Is that a recognized fact that CIA does take any such credit so far as you know?

Mr. McCONE. Not that I know of, no.

Senator SYMINGTON. Will the Senator yield?

Senator CANNON. I will be happy to yield.

Senator SYMINGTON. They would run into direct conflict with other agencies of Government in doing that. The Ambassador told me he took direct pleasure in being largely responsible. If it was a good thing to do, lots of people would take credit for it. If not, perhaps it would end up in the CIA.

Senator CANNON. I also note the statement wherein CIA supposedly helped equip an army in the south to remove Souvanna Phouma. Now do you know of any action taken by the CIA in helping equip an army in the Vietnam situation?

Mr. McCONE. Not by the CIA; no. There was a great deal of foreign military aid went into that program.

Senator CANNON. So I understand, but I am just trying to delineate and define in my own mind at least where the authority lies in the CIA and what your response as to that authority is.

Mr. McCone, getting back to this professor situation, I think you have already indicated that you took no direct action and you made no official communication and no official request that these professors be discharged from their duties, and you stated to Senator Bartlett that there were, of course, people who knew you were unhappy with them. Did you, informally, at least, make an unofficial request, and I am just saying this to try to clarify the record, make an unofficial request or suggestion to anyone in authority at any time that these people should be discharged because of their actions?

Mr. McCONE. No, I did not.

Senator CANNON. No further questions.

Senator BEALL. Mr. Chairman, it hasn't been my pleasure to have known Mr. McCone before today, but I have been certainly very much impressed by what members of this committee who have worked with him have had to say, particularly Senator Symington who has worked with him.

I wasn't a member of the Senate in 1950 and 1951. I was a member of the other body. At that time we in west Maryland were very much concerned about an awarding of a contract to Kaiser-Frazer for the construction of the C-119. I believe you took it away from—you awarded the contract, didn't you, to Kaiser-Frazer?

Mr. McCONE. I approved the award at that time.

Senator BEALL. Fairchild at Hagerstown was making the C-119.

Mr. McCONE. That is correct.

Senator BEALL. Did you instruct them to turn their engineering personnel, the blueprints and so forth over to the Kaiser plant at Willow Run?

Mr. McCONE. Not their personnel but the blueprints, which were the property of the Air Force.

Senator BEALL. But Kaiser-Frazer did take some of the personnel?

Mr. McCONE. As I recall it, and this was a long time ago, as I recall it they entered into a mutual assistance contract of some kind which may have required some personnel.

Senator BEALL. Wasn't it a fact that Fairchild were building the C-119 for \$260,000?

Mr. McCONE. Just about.

Senator BEALL. And Kaiser-Frazer charged \$1,200,000?

Mr. McCONE. Information of that nature came out in the June 1953 hearing, but I left the Air Force prior to the time that Kaiser-Frazer production had started, between October 1951 and June 1953 I did not have the information on costs and so forth. But when this hearing which was at my own request was held by a subcommittee of this committee, information came out that the then production of Kaiser-Frazer plant was in the order of—it was a very high figure, and I imagine that you got that figure from the record. I haven't looked at the record, but it sounds familiar to me.

Now, there are many factors that enter into that. Kaiser-Frazer was getting started and the Hagerstown plant had been going for several years, so there was a point on the learning curve. All of those things were a part of the comparison. I am not in a position to comment on the performance of Kaiser-Frazer except that those who testified for the Air Force and who were familiar with it seemed to feel that the costs were quite high, disappointingly so.

Senator BEALL. Do you remember writing a memorandum warning the costs of the C-119 being produced by Kaiser-Frazer might become loaded with costs properly attributable to Kaiser's automobile enterprise?

Mr. McCONE. Yes, I wrote that memorandum with respect not only to Kaiser-Frazer but to several others. The circumstance was this. We were going through the transition of peacetime economy to really a wartime economy, and we were utilizing commercial plants, automobile plants, and engine plants for the manufacture of airplanes and engines and all the rest, and I was fearful that the cost of the transition would be loaded on our contracts, and therefore, I wrote a

memorandum to the Chief of Staff of the Air Force and the Chief of the Air Materiel Command urging that in negotiating these contracts and in setting up their audit staffs and so forth that they be very careful that we didn't pay—that the costs of the Government were not loaded with costs properly chargeable to their commercial operations.

Senator BEALL. But you didn't realize that between December the 5th and the 15th, that this possibility existed at that time, did you?

Mr. McCONE. Your question, sir?

Senator BEALL. You did not realize between December the 5th and December the 15th that this possibility existed. You discovered that later?

Mr. McCONE. Yes, I realized it right along.

Senator BEALL. Did you?

Mr. McCONE. Because it was obvious to me, having had a background in the manufacturing business. It was obvious to me. It was on January 5, as I recall it, that I wrote the memorandum.

Senator BEALL. Thank you, Mr. Chairman. That is all. Thank you, Mr. McCone.

Chairman RUSSELL. Any further questions?

Senator SYMINGTON. I would make an observation, based on some testimony here. To the best of my recollection some of the people who have been directors of Central Intelligence have had no intelligence experience. As I remember the first was Adm. Sydney Souers. Whether he was in ONI or not I do not remember. If he was, then he had some intelligence experience as a part of the Navy. The second one, I believe, was either Gen. Bedell Smith, another military man, or Admiral Hillenkoetter.

Chairman RUSSELL. Hillenkoetter was second.

Senator SYMINGTON. To the best of my knowledge, the careers of neither of those men were primarily intelligence. They may have had it because of changing assignments. I do know one former head of the Central Intelligence Agency, General Vandenberg, who was taken from the military into Central Intelligence and objected bitterly, because he hadn't had experience in that field. It came up again when he was considered to be the Vice Chief of Staff and later the Chief of Staff. He did not feel that he was at home in intelligence, because of lack of experience. He was a great chief.

Senator CASE. What about Wild Bill Donovan?

Senator SYMINGTON. I don't think he ever was head of Central Intelligence.

Senator CASE. Not after CIA was created statutorily. He directed some activities later.

Senator SYMINGTON. Inasmuch as Mr. McCone has been in positions as sensitive as the Atomic Energy Commission, constantly in matters that had the highest classification, I would be almost certain in my own mind that he had had more experience in this field than General Vandenberg had prior to his taking the position.

Mr. McCONE, I would like to ask a couple of questions here without the slightest criticism of anybody that asked any questions in this hearing, of course, and I know you know that, and I know you have not, either. Such questions are the purpose of these meetings.

Mr. McCONE. That is right.

Senator SYMINGTON. Some of my colleagues who asked the more detailed questions are ones I respect as much as any Members of the

Senate. This is the third time you have appeared before the Senate, is it not?

Mr. McCONE. That is correct.

Senator SYMINGTON. Have you ever done anything illegal in business you know of?

Mr. McCONE. No, sir.

Senator SYMINGTON. Have you ever done anything unethical in business that you know of?

Mr. McCONE. No, sir.

Senator SYMINGTON. When you were in private business you had partners and/or stockholders, didn't you?

Mr. McCONE. That is correct.

Senator SYMINGTON. And you did your best, without doing anything illegal or unethical, to earn a profit, for yourself and your stockholders and partners, is that correct?

Mr. McCONE. That is correct.

Senator SYMINGTON. Now, it is still legal in America, if not to make a profit, at least to try to make a profit, is it not?

Mr. McCONE. That is my understanding.

Senator BUSH. It is illegal to keep it.

Senator SYMINGTON. The Senator from Connecticut says it is only illegal to keep it, and I believe some of your testimony has given practical effect to that observation because you said you were being taxed 95 percent of your profits?

Mr. McCONE. During wartime.

Senator SYMINGTON. Didn't you say 95 percent of some of your profits were taxed?

Mr. McCONE. That is right.

Senator SYMINGTON. So I think the somewhat jocular observation of my friend from Connecticut nevertheless has some merit.

Now the Senator from South Dakota, who is one of the most informed men I know, says that your Deputy Director of Central Intelligence has to be confirmed by the Senate.

Mr. McCONE. That is my understanding, yes.

Senator SYMINGTON. And inasmuch as that is your understanding, and inasmuch as the chairman of this committee at least implied, if he didn't actually state that the legislative history, and sense of the Congress, was that he should be a military man, I would hope that you would give that consideration. I agree that because of the nature of your work and the relative proximity of the two organizations, the Defense Department and Central Intelligence Agency, which sometimes have not worked together entirely satisfactorily, and inasmuch as you said something I did not know before, namely, that in time of war a large part of your apparatus goes into the Defense Department, I would hope that one of the men such as Senator Bush referred to, with long experience in the military, could be your deputy.

Now my final question is this. This is your third time before the Senate. You never had a vote against you yet in the two previous times you came before the Senate. Do you know of any reason of any kind, direct or indirect, which would prevent you from handling this position in accordance with the wishes of the President and your oath of office?

Mr. McCONE. No, I know of none.

Senator SYMINGTON. I have no further questions, Mr. Chairman.

Chairman RUSSELL. Does any other member of the committee have additional questions? Senator Cannon.

Senator CANNON. Mr. Chairman, one question has been raised in my mind as a result of Senator Beall's question. Why was the contract taken from Fairchild and awarded to Kaiser if you anticipated that costs might go up by reason of conversion from automobile work and no experience?

Mr. McCONE. Well, the reason for it—there was no contract taken away from Fairchild. What happened was that we were going through a vast expansion of our aircraft production program, and the agreed production needs for this particular type of airplane was several times the all-out, 24-hour-a-day capacity of the Hagerstown plant of Fairchild. Therefore, the problem that we faced was whether to open up a second plant under Fairchild management in Chicago, Omaha, or elsewhere, or to take a second source such as Kaiser-Frazer. The recommendations of the Air Materiel Command and the Air staff which I approved was to select Kaiser-Frazer, who had a large plant at Willow Run, and we had a recapture clause in our contract so we could repossess it in the event of an emergency, and this appeared to us to be a better foundation for our expansion program than the opening up of the Chicago plant. And there were various factors, labor shortage and all the rest that came into it. But the point, Senator Cannon, is that there was no contract taken away from Fairchild.

Senator CANNON. Fairchild did continue?

Mr. McCONE. Fairchild did continue.

Senator CANNON. To operate at their capacity?

Mr. McCONE. At their capacity; that is right.

Senator CANNON. Thank you very much. Thank you, Mr. Chairman.

Chairman RUSSELL. If no other member of the committee has any further questions, Mr. McCone, we will excuse you for the time being.

Mr. McCONE. Thank you very much, sir.

Chairman RUSSELL. The committee will go into executive session here to determine what further steps should be taken.

(Whereupon, at 4:15 p.m., the committee went into executive session.)

(On Monday, January 22, in executive session, the committee unanimously voted to report favorably to the Senate the nomination of Mr. McCone to be Director of Central Intelligence.)

APPENDIX I

CENTRAL INTELLIGENCE AGENCY,
Washington, D.C., January 19, 1962.

Hon. RICHARD B. RUSSELL,
Chairman, Armed Services Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR RUSSELL: I am happy to respond at the Armed Services Committee's request to the statement Senator Eugene J. McCarthy made on January 18, 1962, at the opening of the committee's hearings on my nomination to the position of Director of Central Intelligence. I shall respond directly to the specific questions posed by Senator McCarthy at the end of his statement, but as other portions of the statement were considered during the hearings I shall also set forth my position in regard to them.

The first question asked if the Central Intelligence Agency is to be reorganized and if so in what respects. I have been and I am studying the organization of the Agency very intently. The present pattern of organization of the Agency is the result of years of study by competent people, both within the Government and outside consultants, and in my opinion it is not a bad pattern of organization. However, I believe that in all departments of the Government there is an evolution in management procedures and opportunity for improvement, so I think that some changes will be indicated in the Agency organization. I would propose to discuss any important changes with our congressional subcommittees.

During the hearings before your committee I read into the record a letter from the President concerning the scope of the responsibilities he has asked me to assume, and the President stated therein that he would expect me to delegate to a principal deputy as I may deem necessary so much of the direction of the detailed operation of the Agency as may be required to permit me to carry out the primary task of the Director of Central Intelligence. This, of course, I intend to do, and while I will have overall responsibility for the Agency, I am studying what delegations of authority should be made to the Deputy Director of Central Intelligence.

Senator McCarthy's second question asked what bearing such changes would have upon the duties of the head of the Central Intelligence Agency and upon the operation of the Agency. Any changes made in Agency organization will have no bearing on the duties of the Director of Central Intelligence, the scope of whose responsibilities is set forth in the Presidential letter mentioned above. The authority of the Director has been neither enhanced nor diluted, and I believe the purpose of the President's directive is to make clear that the Director of Central Intelligence is his principal intelligence officer to exercise the dual role set forth in the law, to be responsible for the direction of the Central Intelligence Agency itself, and to assure the coordination of the intelligence community as a whole. The one change that has been made is in connection with the coordination function. The Director of Central Intelligence is Chairman of the U.S. Intelligence Board, which is composed of the heads of all the intelligence components of the Government, and I have placed the Deputy Director of Central Intelligence on that Board to represent the views of the Central Intelligence Agency in connection with any matters considered by the Board. It appeared to me that if I served as Chairman and as such as the President's representative and the Deputy as the Agency's representative was the advocate of the Agency's viewpoints, I would be in a position to take a more objective point of view. This new arrangement was approved by the President in the letter referred to above.

Senator McCarthy's third question asks for my views as to the authority for some of the actions attributed to the Central Intelligence Agency in the field of foreign affairs within recent years. Many events have been attributed to the Central Intelligence Agency over the years, and it would be impossible for me to have the facts on these matters, but I certainly do not accept that because they are attributed to the Central Intelligence Agency the Agency is responsible for them. The Senator's question appears to go to the basic juridical or constitutional authorities of the executive branch, and this involves profound legal questions which, since I am not a lawyer, I do not feel competent to debate.

It is my understanding, however, that the President has wide powers in the field of foreign relations and within the framework of the Constitution is empowered to do what he deems to be necessary to protect and promote the national interest. At the present time, in my opinion, the national interest is best served by taking steps to deter the encroachment of communism. As provided by law the Central Intelligence Agency operates under the direction of the National Security Council which is advisory to the President and of which he is Chairman and, therefore, it is but one of the arms in the complex of establishments which are involved in the President's conduct of foreign policy. I intend to carry out to the best of my ability all duties assigned, and I must assume that no such assignment would cause me to violate my oath of office to support and defend the Constitution.

Senator McCarthy's fourth question concerns my judgment as to methods which can be justifiable used by the Central Intelligence Agency. The very nature of the question is such that I believe I cannot respond to it, particularly in the light of the responsibility imposed upon me by law to assure the protection of intelligence sources and methods from unauthorized disclosure.

Senator McCarthy's fifth question was to the extent of my involvement, if any, in what had been described or reported as "leaks" from the Atomic Energy Commission with reference to the moratorium on nuclear testing. I know of no instance where I personally or any of the Commissioners were charged by anyone with leaking anything either on this subject or any other subject of a classified nature. There were leaks in this area, but there were none that were attributed to the Atomic Energy Commission.

Senator McCarthy's sixth question inquired as to the facts with regard to the charge that I attempted to have scientists fired at the California Institute of Technology. Ten scientists at Cal Tech signed a statement concerning suspension of nuclear testing. I differed strongly with their position and felt that the manner in which the statement came out tended to imply that it was an official Cal Tech position. I wrote my letter stating my strong disagreement to one of the 10 scientists directly, Dr. Thomas Lauritsen. To the best of my recollection I did not send copies of this letter to the university or officials thereof, and the file carbon which I retained does not indicate any distribution. I would be less than candid if I did not say that my views concerning this matter were known to many people. However, I did not officially or unofficially request the dismissal of any or all of the scientists by the institute, and none were dismissed as a result of any action by me.

The general thrust of Senator McCarthy's statement was the need for greater congressional supervision of the Central Intelligence Agency, and early in his statement he said there is no regular or normal procedure in existence or in use today by which committees of the Congress are consulted or informed of the Central Intelligence Agency's activities. There are, of course, subcommittees of the Armed Services Committees of both the Senate and the House, constituted as CIA subcommittees, and there are subcommittees of the Appropriations Committees of both the Senate and the House, constituted to consider the Central Intelligence Agency's appropriations matters. The Central Intelligence Agency has been at all times responsive to the calls of these subcommittees and in addition has brought to their attention matters the Agency felt should properly be considered by them. I will continue this policy and this relationship with these subcommittees.

Senator McCarthy's statement quoted a comment by Hanson Baldwin that intelligence is too important to be left to the unsupervised. In addition to the relationship with the subcommittees of the Congress set forth above, the Agency reports to the National Security Council and is subject to direction by the National Security Council. There are precise interdepartmental arrangements for consideration of certain of the Agency's activities so that the President and the Secretaries of State and Defense can apply policy guidance and be adequately informed.

Senator McCarthy also sets forth a quotation from Walter Lippmann stating that the Central Intelligence Agency has been much too often an original source of American foreign policy. I do not consider that the Director of Central Intelligence is a policymaking position. The chief function of the Agency is to obtain all possible facts from all sources and after proper evaluation disseminate them to the President and other appropriate policymakers. I might be asked my personal views, and if so I would feel free to give them, but do not conceive that it is proper for the Director of Central Intelligence to volunteer in regard to questions concerning the national policy. Within the intelligence structure there are, of

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course, from time to time policy questions concerning organization or methods, but these are not related and therefore must be clearly differentiated from matters of national policy and are settled internally through the mechanism of the U.S. Intelligence Board.

I trust the foregoing will serve the needs of the committee.
Yours very truly,

JOHN A. McCONE, *Director.*

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MEMORANDUM FOR: THE DIRECTOR

Attached is a topically indexed and a page list of individual questions and statements together with a copy of the confirmation hearing which you had wanted for your files. At one point you did state that "by law, in the event of war, a very substantial section of the Agency goes into the military command." For some reason I had not noticed this earlier and you may wish to mention this the next time we meet with our Subcommittee that while a part of the Agency does go under military command it is not by virtue of law but is simply by virtue of formal agreement with the military.

19 February 1962
(DATE)

John S. Warner, Legislative Counsel

FORM NO. 101 REPLACES FORM 10-101
1 AUG 54 WHICH MAY BE USED.

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